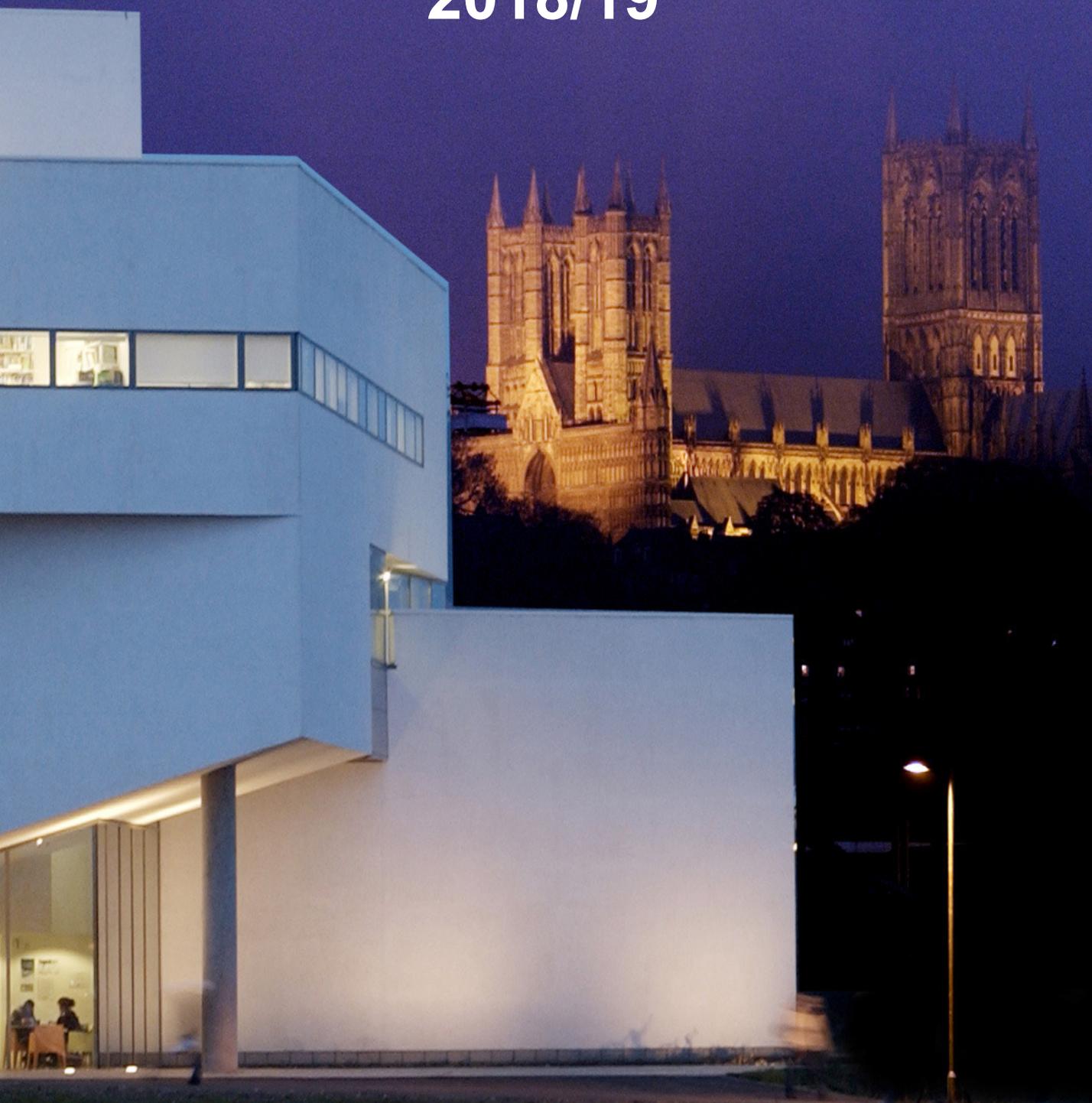


Financial Statements 2018/19



UNIVERSITY OF
LINCOLN

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Key highlights for the year ended 31 July 2019

Strategic Plan

The University's vision is that, by 2021:

'The University of Lincoln will be a global 'thought leader' for 21st Century higher education. We will be known for addressing the opportunities and challenges presented by the changing world by developing a new approach to education and knowledge development'.

Financial Highlights	2019 £'000	2018 £'000
Total income	165,801	152,296
Statutory surplus for the year	564	811
Operating surplus*	5,756	984
Net cash generated from operations	20,169	12,652
Capital expenditure	8,909	10,845
Net debt	56,462	64,735

* Excludes certain items due to their one-off or non-operational nature (see page 15 for further information)

Sustained income
growth – total income
increased to £165.8m

↑ **£13.5m**

Operating Surplus*
year-on-year
growth

↑ **£4.8m**

Net cash generated from
operations increase

↑ **59.4%**





Ranked
17th
in the
Guardian
League
Table



University
takes the lead
for the new
Institute of
Technology in
Greater
Lincolnshire

Medical School

In March 2019, the University was given the official go-ahead to start construction on the new Medical School in the autumn of 2019

Science Foundation
Year Team
awarded the
Collaborative Award
for Teaching
Excellence (CATE)
in 2019



UK's first
Global Centre
of Excellence in
Agri-Robotics
Research

Strategic Direction

Strategic Plan The University's priorities and strategic direction over the next five year period of our development will build on our significant progress to date. The vision is that, by 2021:

'The University of Lincoln will be a global 'thought leader' for 21st Century higher education. We will be known for addressing the opportunities and challenges presented by the changing world by developing a new approach to education and knowledge development'.

Core Principles:

In order to deliver this and ensure that the University remains focused, the plan is based around five core principles. These are:

- Teaching Excellence and a Great Student Experience;
- Graduate Success;
- Research with Impact;
- Strong Partnerships and Employer Engagement; and
- Dynamic, Engaged People.

Key Supporting Themes:

We believe that each of these principles lie at the heart of the success of the University. Supporting these key principles are five themes, which we believe encapsulate our needs in the environment that will shape our world over the lifetime of the plan. These are:

- Resilience and Sustainability;
- Ambition, Global Recognition and Growing our Reputation for Innovation;
- Creating an Inclusive Community;
- Enabling Technologies, Excellent Research and Teaching Spaces;
- A New Vision for Education

Focusing our ambitions and activities around these elements we believe will take the University forward successfully. We aim to deliver the outcomes of our plan by each year making progress on those parts of our plan articulated in the strategic objectives.



External Environment

Political Environment:

As the University grows and develops, we continue to be aware of the regulatory environment in which we operate. The Office for Students (OfS) is now firmly established, and implementing changes to reporting and teaching to ensure that every student, whatever their background, has a fulfilling HE experience that enriches their lives and careers.

Research funding is administered by UK Research and Innovation (UKRI), which brings together the seven Research Councils, Innovate UK and Research England.

These changes continue to create a number of challenges and opportunities for the University, which in turn continues to focus our efforts on diversifying income streams.

Reputation:

The University's external reputation continues to grow, with a strong reputation for leadership and innovation, particularly focused on partnership work with employers.

The University continues to be recognised for teaching quality and student experience with our award of TEF Gold status.

In the latest 2020 Guardian League Table, the University is ranked 17th out of 121 institutions, placing Lincoln in the top 15th percentile. In the Complete University Guide 2020 we are ranked 42nd out of 131 institutions, whilst in the 2020 Times Good University Guide we are ranked 51st.

External Environment

Competition:

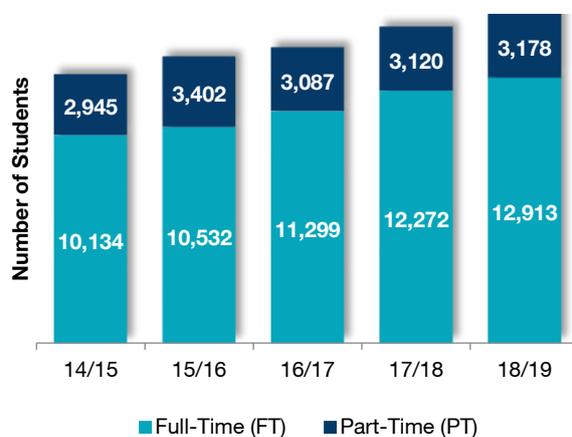
The University's key UCAS competitors continue to be located mainly in major UK cities. The makeup of this competitor set is, however, changing as the University moves up the league tables and our profile and portfolio changes.

Demand:

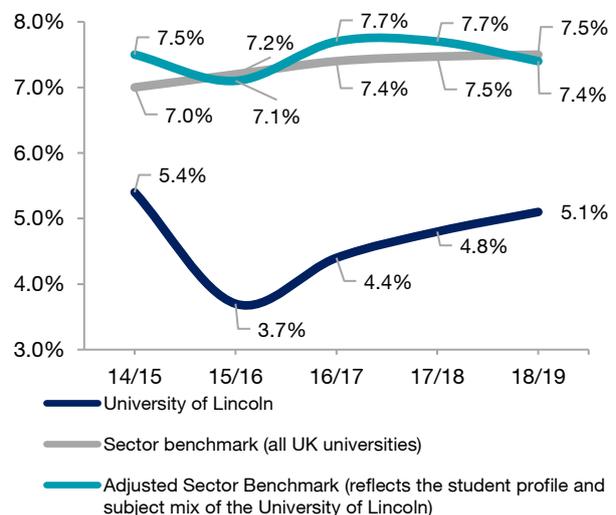
The University continues to make great efforts to meet targets on recruitment and retention. Demand for places at Lincoln remains high, and we continue to see a year on year increase in student numbers due to both growth in existing subject areas and the development of new subject areas, particularly in STEM provision.

The University also continues to perform strongly in retaining students, scoring significantly above the sector benchmark in the Office for Student Performance Indicators relating to student retention. The graphs below demonstrate the demand trends.

Student Number Headcount by Mode of Attendance Year Ended 31 July 2015 to 2019



Non-Continuation of full-time first degree students



Review of the Year

Teaching Excellence and a Great Student Experience

Students are at the heart of everything we do. The University is now into its third year at Gold status in the Teaching Excellence Framework (TEF). The TEF is a national independent assessment of teaching quality, student support and graduate success in higher education. Almost 300 higher education providers took part in the assessment, results of which were announced by the Higher Education Funding Council for England.

Determined by an independent panel of experts, including academics, students and employer representatives, our Gold award means the University has achieved the highest grade for teaching quality found in the UK. The University of Lincoln is one of 76 higher education providers of the total 286 entering the TEF to be awarded Gold.

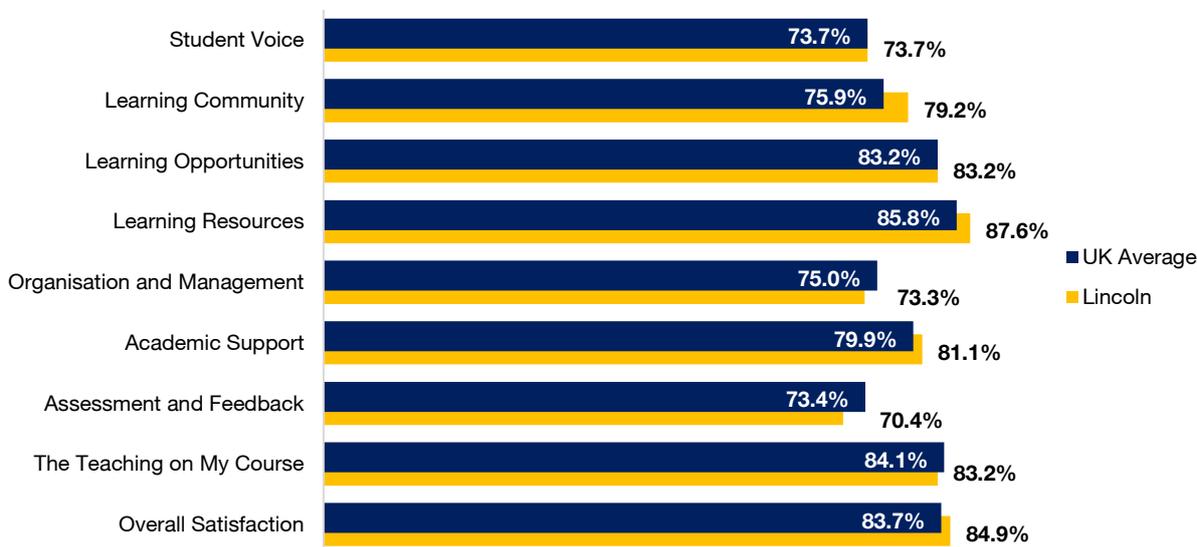


Teaching Excellence Framework

Lincoln is one of only 15 institutions in the UK to receive the Collaborative Award for Teaching Excellence (CATE) in 2019. The accolade was awarded to Lincoln’s Science Foundation Year teaching team, who lead an initiative to widen access to Higher Education to ensure that a diverse student population not only participate in Higher Education, but also thrives with high quality teaching and enhanced student support.

In terms of student satisfaction, Lincoln was ranked 46th in the UK out of 130 league table institutions according to analysis of the 2019 National Student Survey. The University of Lincoln scored higher than or equal to the sector average in six out of the nine categories within the survey, which is completed by final year undergraduate students across the UK. Several of the University of Lincoln’s courses were rated number one in the UK for their subject areas, including Music, Chemistry, and Physics (and Astronomy). Law, Forensic Science and History were all in the top 10 of their subject areas.

2019 NSS Category Overall Percentage Agree Scores



Aligned to the strategic plan is the University’s teaching and learning implementation plan, which has been designed to provide a clear framework for the next five years to ensure that our teaching and digital ambitions are achieved. We have set ambitious goals around our student experience, which include developments on campus, in the digital support we offer, in the breadth of our degree range, and in the innovation we bring to learning and teaching.

On quality assurance, during the last academic year the University’s Office for Quality, Standards and Partnerships (OQSP) has continued to work hard to maintain and enhance the University’s robust quality control systems. Alongside this, the University continues to develop its use of data to create success and improve and enhance its programme development and student experience.



Case Study: - Transition to PGT

To explore ways to authenticate postgraduate identity through transition, this project aimed to work with students to understand the journey through PGT transition and how a sense of 'becoming' and 'identity' are formed. Student video case studies and staff, recorded interviews were conducted where these themes were used to develop a novel transition framework which recognises the importance of effective transition activities on the PGT Experience. This initial research considered various models of transition and their application in the University of Lincoln context. This required engagement in Postgraduate Induction activities and reviewing the information delivered to students during the orientation process. The project has been presented and published at the SEDA Spring Teaching and Learning Conference 2019, where we invited the Postgraduate Student Officer onto the project to co-produce the workshop content, offering personal insight to contextualise the findings. Outcomes have been discussed with the Dean of PGT in the hope that these can be considered as part of the PGT Teaching and Learning strategy. This is currently being prepared as a publishable output.

Our estate continues to provide a top-quality learning environment for our staff and students. The new Medical School building project is now underway. It is due to be completed in March 2021 and will be the most sustainable building the University has built to date. The aim is for the development to be carbon neutral, whilst providing cutting edge facilities including a new library. Refurbishment work has also been completed to create interim Medical School facilities for the first intake of students in September 2019. This includes a new anatomy suite and general-purpose teaching room.

The Residential Accommodation Strategy continues to make progress in order to meet the demand of our student numbers growth. Developer-led schemes, including Valentine Court which completed in Autumn 2019, will be operated and managed by the University.



Our Holbeach and Riseholme campuses are increasingly an area of focus. The University is the anchor tenant on the new Food Enterprise Zone (FEZ) in Holbeach. Work is now underway on the development of a £7m Centre of Excellence for our National Centre of Food Manufacturing. The University was also successful in a funding bid to create the Lincolnshire Institute of Technology. This will see new facilities being built across the county with partner Further Education institutions in addition to a new building on the University FEZ site in Holbeach. Design work is underway for this facility.

At Riseholme, a new partnership agreement has been signed between the University and Bishop Burton College. Work has now commenced on the construction of new facilities, some of which will be shared on the farm and equine sites of the campus. The Lincoln Institute for Agri-food Technology have been successful in securing high profile research funding. To support this, projects are underway to create new agri-robotic research facilities and staff space in the central zone of campus.



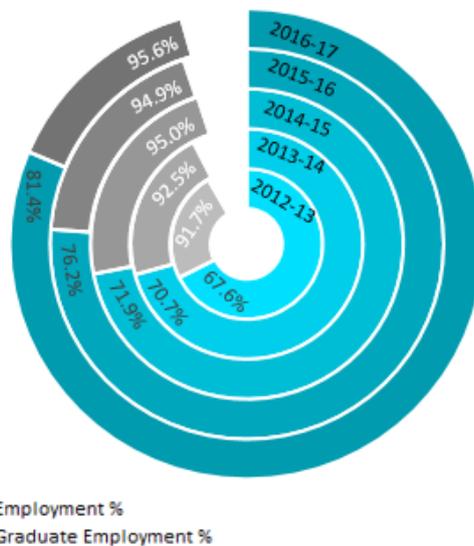
Strategic report for the year ended 31 July 2019

Graduate Success

Our ambition to create confident, knowledgeable graduates whose reputation makes them sought after by employers across the globe is key to our future impact and success. The economic climate continues to provide challenging employment conditions for all graduates. Despite this, our students continue to have great employment prospects.



% University of Lincoln Graduates in Employment & Graduate Employment



The latest available Destinations of Leavers Survey (DLHE) return shows that 95.6% of our students graduating in 2016/17 were in employment or further study within six months of completing their course, and 81.4% had secured graduate level roles. This reflects a year-on-year improvement in this area.

Due to changes in the collection schedule, from six months to 15 months after graduation for Graduate Employment data, 2016/17 is the latest data available.

Data for 2017/18 graduates will be available in the Spring of 2020.

The Careers & Employability Team continues to provide an employer-led and informed service both centrally and within the distinct curriculum areas. The new Careers & Employability Centre in the library has seen unprecedented levels of engagement from both students and employers alike, including Google, Sky, HMRC, Frontline, Morgan Stanley and PwC amongst others. We continue to align to the institutional key strategic priorities and agendas, such as Access and Participation, and the TEF, and working closely with the Business Incubation and Growth unit ensures that entrepreneurship and self-employment is increasingly seen as a viable graduate destination.

Strategic report for the year ended 31 July 2019

Research with Impact

The University of Lincoln is producing world-leading research across many subject areas. More than half (53%) of the research submitted by the University to the national Research Excellence Framework 2014 was rated as internationally excellent or world leading.

The University's academic staff includes more than 75 substantive professors who support a thriving research culture and a high-quality student experience. There are more than 40 research centres and research groups, investigating subjects ranging from vision engineering and autonomous systems to conservation and cultural heritage. Major research projects from the University benefit society in areas as varied as agri-food technology, medical imaging for cancer diagnosis, anti-microbials, heritage, treatment of insomnia and global contamination of water.

A multi-disciplinary approach ensures many projects involve experts from across the University's different Schools and Colleges.



UK's First Global Centre of Excellence in Agri-Robotics Research

The UK's first global centre of excellence in Agri-Robotics Research will be created at the University of Lincoln. With significant Government E3 Grant Funding, Lincoln Agri-Robotics will be established as a major new research centre bringing together world-leading expertise in robotics, artificial intelligence and agriculture, based on the site of the University's working farm.



Case Study: - National Centre for Food Manufacturing

Global Challenges Research Fund - "Global SCOPE" - Supply Chain OPTimisation and Engagement. Premise: For economic transformation in African and Indian economies, food system productivity gains must be the basis for national economic growth and the instrument for mass poverty reduction and food security.

Initially funded until 2021, this international initiative is examining the role of supply chain transformation in the development process and as an engine to reduce poverty and improve general wellbeing in Africa and India. The initiative places postdoctoral researchers and trial equipment at host universities in Kenya and India – all focused on low-cost food processing and storage technologies to reduce food waste and address food security challenges.

Global SCOPE is part of Lincoln's Global Challenges Research Fund (GCRF) quality related initiative recently commended by Research England as one of 10 'exemplary strategies' – well aligned with overall institutional strategy and clear and concise in identifying specific activities that will be undertaken and the developing countries they will benefit.

Strategic report for the year ended 31 July 2019

Strong Partnerships and Employer Engagement

Lincoln is internationally recognised for our innovative approach to industrial partnership (public, private and third sector). This has previously been highlighted through the Government's Wilson and Witty reviews, and the publication of the 'Mind the Gap' report examining how universities across the sector can best support industrial collaboration.

Our successful relationship as one of Siemens' global principal partners continues to flourish with their international training centre co-located in the School of Engineering, on the Brayford Pool campus, a growing research portfolio and nearly 50 engineering graduates employed in the local business unit. Building on the success of our partnership with Siemens, we have launched six new schools of STEM in the last seven years, all co-designed with industry. Our partnerships continue to mature with organisations like the Lincolnshire Co-operative, particularly as the Lincoln Science & Innovation Park continues to grow. The Boole Technology Centre on the Innovation Park is filling faster than we anticipated and is increasing levels of industrial co-location, driving even higher and wider levels of collaboration.



Our role as an 'active anchor institution' is critical to the growth aspirations of Greater Lincolnshire. In seeking new ways to support and engage SMEs to further the translation of our research and drive regional economic growth, we continue to deliver a £2.1m European Structural and Investment Fund (ESIF) scheme to deliver an innovation support programme across our region. We have worked hard to influence the 'Midlands Engine', playing a leading role in the development of innovation strategy, particularly around the agri-food sector.

Case Study: - Industry Defined Projects

Students work directly with industrial partners on real-world problems defined by the company during their Level 2, 3 and 4 studies. These have included projects such as the redesign of a clutch mechanism for Ford and the redesign of a fuel injector for Siemens – the latter ending in a design patent. Some projects have also been presented at international conferences. This allows students to not only be exposed to cutting edge technologies and design challenges, but also helps develop soft skills such as commercial awareness, communication and project management.

Strategic report for the year ended 31 July 2019

Dynamic Engaged People

The University's people element of the strategic plan continues to highlight the collaborative efforts between the relevant university teams, the Students' Union, and the wider university community in support of the overall university strategic agenda.

Our workforce continues to grow as the University develops further, with 2019 experiencing overall growth of 6% in our core workforce. Our increasing establishment sees a number of employees potentially affected by the UK's imminent departure from the EU. As such, new information has been developed to offer additional support and guidance.

The People Agenda at the University of Lincoln is at the core of our strategic plan, with actions this year focused on these ambitions against a backdrop of wider legislative and political changes. Areas such as pension reform, gender pay reporting, and the implications of Brexit for our staff and students who work and study in the region and are a vital part of our community.

The activities we have carried out within our Inclusion Strategy support the culture and expectations we have for all staff and students at Lincoln. Work is underway to prepare for our Race Equality Charter (REC) submission as we celebrate the diversity within our campuses and welcome the differences this presents.

Another significant project this year sees our preparation in the recruitment of staff for the Lincoln Medical School, established with the specific aim of enhancing recruitment of doctors to Lincolnshire. The first students will begin their studies in September 2019 and will follow the University of Nottingham's medicine curriculum, enhanced with a Lincoln/Lincolnshire flavour.



Key to our People Strategy is the attraction of the best talent to Lincoln. This year saw a number of exciting strategic appointments including a new Deputy Vice Chancellor (Student Development and Engagement) and Head of College (Social Science) join the Senior Leadership Team. We also completed a worldwide recruitment campaign to attract a number of Global Professors to Lincoln. This exciting project will begin to bear fruit following their arrival in September 2019.

The University of Lincoln acknowledged the importance of World Mental Health Awareness Day as we signed the 'Time to Change' Pledge – our commitment to this important agenda as an employer. Time to Change is England's biggest programme to challenge mental health stigma and discrimination. Signed by the Vice Chancellor, this pledge has publically committed our support to the national campaign of changing the way we think and act about mental health, and added to our overall framework of wellbeing for all.



Following the discussions held as part of the national pay negotiations, the University paid an uplift of 2.0% from August 2018. This was subject to a number of national industrial action ballots, with Unison and UCU unable to achieve the required member turnout to support action. A further 1.8% to the national pay spine was also agreed, effective from 1 August 2019.



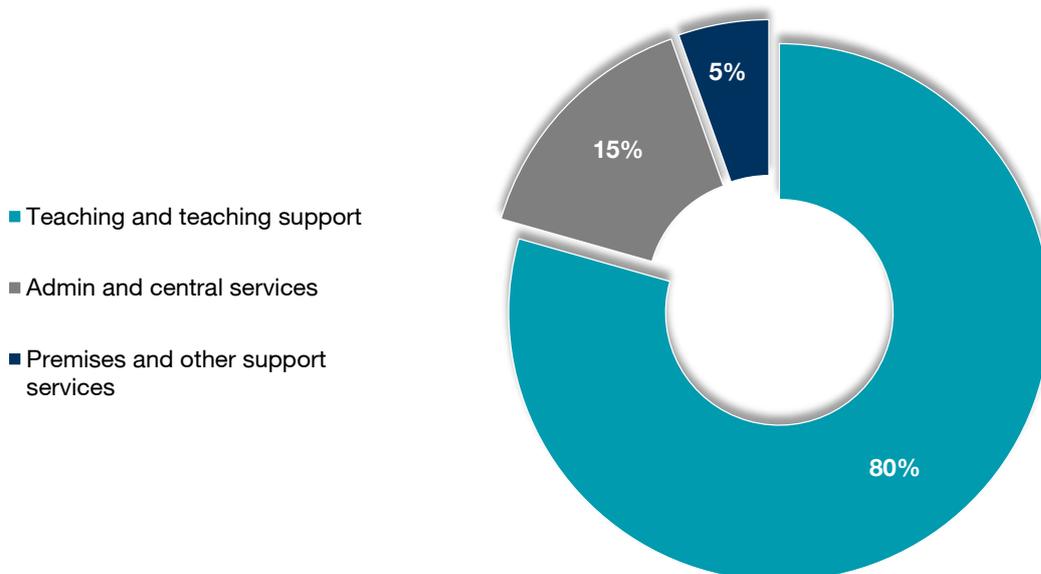
The University received the highest level Gold Award as part of the Armed Forces Employer Recognition Scheme, one of the first two universities to receive and hold the achievement.

The relationship has flourished with the Career Transition Partnership, hosting vacancies and with regular liaison taking place to support both organisations. Additional leave entitlement was also introduced for employers with serving family members, allowing them to attend events and activities around defence operations.

As part of the new Office for Students requirements, the first Senior Remuneration Report was published in Autumn 2018 with a transparent picture to senior reward pay scales and reward set against the broader organisational context.

Our workforce continued to grow during 2018/19, with average total staff numbers increasing to 1,765 full-time equivalents during the year, compared to 1,672 in the previous year. A breakdown by area is set out in the graph below.

Staff Numbers 2018/19



Strategic report for the year ended 31 July 2019

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 any areas of concern.

They are aligned to the core principles of the strategic plan, as set out below, and have challenging targets across the plan period based on our increasing expectations.

Core Principles of Strategic Plan	Objective	Measure of Success
External positioning	Improve external rankings position	League table position
		World rankings position
Excellent teaching and a great student experience	Improve National Student Survey (NSS) results	NSS Q22 – overall satisfaction
	Increase student participation through the Widening Participation Agenda	Young full-time degree entrant from state schools of colleges
		Students from low participation neighbourhoods
	Ensure high levels of completion benchmarked against the sector	Students completing their study year
Non-continuation students		
Graduate success	Increase our levels of graduate employment / progression to further study	Students in to employment and further study
		Students in to graduate employment
Excellent research with impact	A further step change improvement in the Research Excellence Framework (REF)	Staff eligible to be submitted to the REF
	Increase numbers of research outputs, repository depositions and citations	Average number of citations per year
Strong partnerships and employer engagement	Increase the number of programmes delivered with external partners	Increase the number of students by headcount
	Increase the number of start-ups / enterprises	Number of start-ups / enterprises
		Number of sustainable start-ups / enterprises still existing after three years
Dynamic engaged people	Continue to develop excellence in teaching	Annual recognition for excellence / innovation in teaching
		Number of case studies per year of excellence / innovation in teaching
	Continue to develop excellence in research	Number of case studies per year of excellent research
	Continue to improve in service excellence	Number of case studies per year of innovation within our Professional Services
		Internal customer satisfaction survey scores
Financial environment	Ensure financial resilience and sustainability of the University	Total income
		Cash flow as a % of total income
		Ratio of net debt to net assets

Future Prospects

The University, like most Higher Education institutions, is continually reviewing how it operates its business in response to the ongoing challenges of the current economic and political climate. Government policy, particularly with regards to student funding streams and immigration, continues to create uncertainty. In addition to this, the impact of Brexit is still not yet fully understood. Movements in the financial markets and the weakening of sterling post-Brexit is already putting upward pressure on costs. The University monitors the operating environment and manages these changes to take advantages of opportunities arising and to continue to grow in a challenging climate.

The University has ten-year forecast plans that ensure sufficient surpluses and cash are generated for investment in research, development strategies and the physical and technological infrastructure. In order to maintain our financial stability, we will need to continue to grow and diversify our income streams, while planning and controlling cost pressures. 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 that, in the current economic climate, we need to develop innovative partnerships and find creative funding solutions, and we will continue to seek out such opportunities.

During the financial year 2018/19, we have consolidated our investment in new schools and programmes, across all Colleges. It has been another successful year, with sustained income growth and good levels of cash generation, allowing us to invest heavily in the infrastructure of the University.

With our continued rise in the national league tables and the result of the Teaching Excellence Framework (TEF), it is anticipated that this will bolster demand and create opportunities for us to grow income and invest further in teaching, facilities, and the overall student experience.

Overall, the future prospects of the University are exciting in this ever-changing and challenging environment. The next phase of the campus development will deliver new, purpose-built, Medical School facilities to support the training of future doctors for the Lincolnshire area, with a commitment to current and future communities to develop sustainable healthcare, education, research and growth across the region. This will enable current and future generations of students to benefit from the latest equipment and laboratories, supporting the University's distinctive student experience and engagement agenda. The continued growth of the new Schools and subject areas, together with the opportunities presented by both the changing economic and political climate and the TEF, deliver an excellent platform for the future.



Financial review for the year ended 31 July 2019

Summary and Financial Highlights

Summary This year's result represents another year of sustained progress. Continued income growth, strong cash generation and a robust balance sheet demonstrate the financial strength and sustainability of the University.

This has enabled the University to invest heavily in both student and staff facilities to improve the overall student experience and enhance research quality.

Total income

£165.8m

Up 8.9% compared to
2017/18

Operating surplus*

£5.8m

Surplus used for
investment and growth

*See page 15 for definition

Expenditure on academic
departments and support

£90.6m

Up 7.8% compared to
2017/18

Research income

£8.9m

Up 6% compared to
2017/18

Capital investment in
2018/19

£8.9m

More than £112.7m
invested in the last five
years

Cash generated from
operating activities

£20.2m

12.2% of total income for
the year



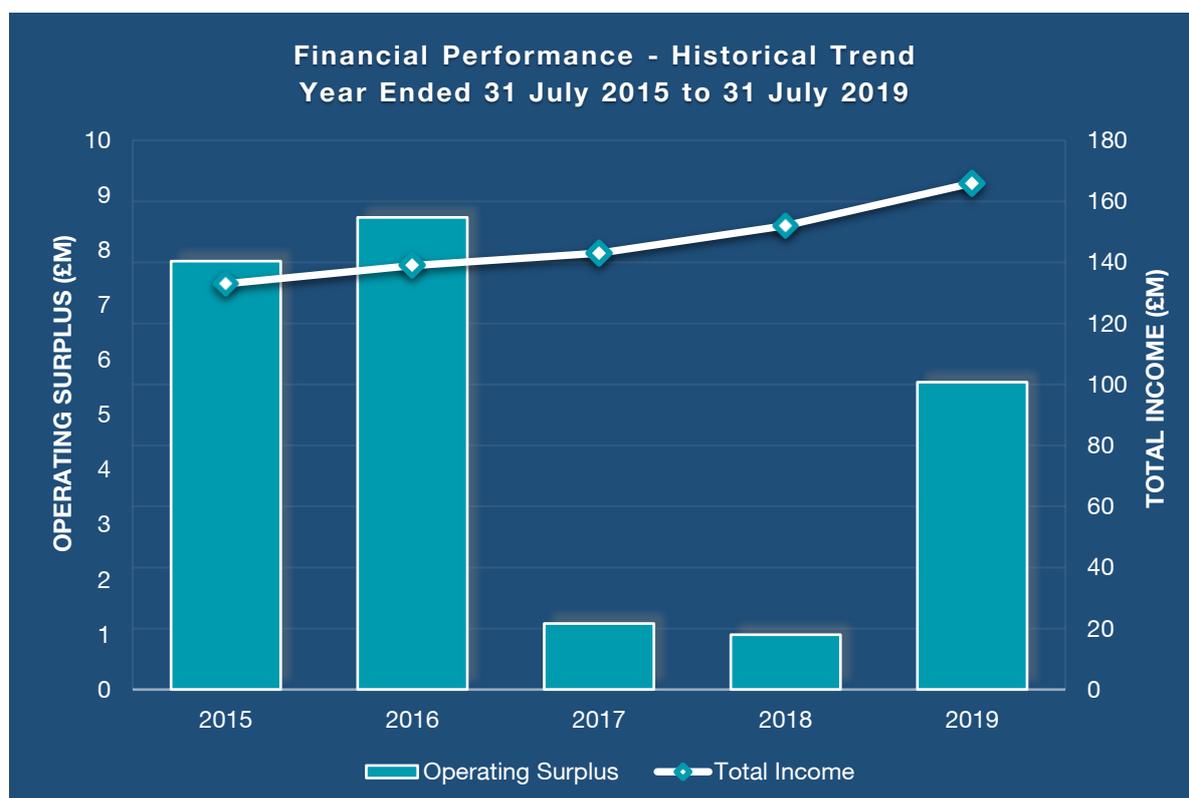
Financial review for the year ended 31 July 2019

Income and Expenditure

Operating Surplus As a consequence of the transition to FRS102 in 2015/16, the statutory reported 'Surplus before tax' is much more volatile and less comparable, both over time and across the sector.

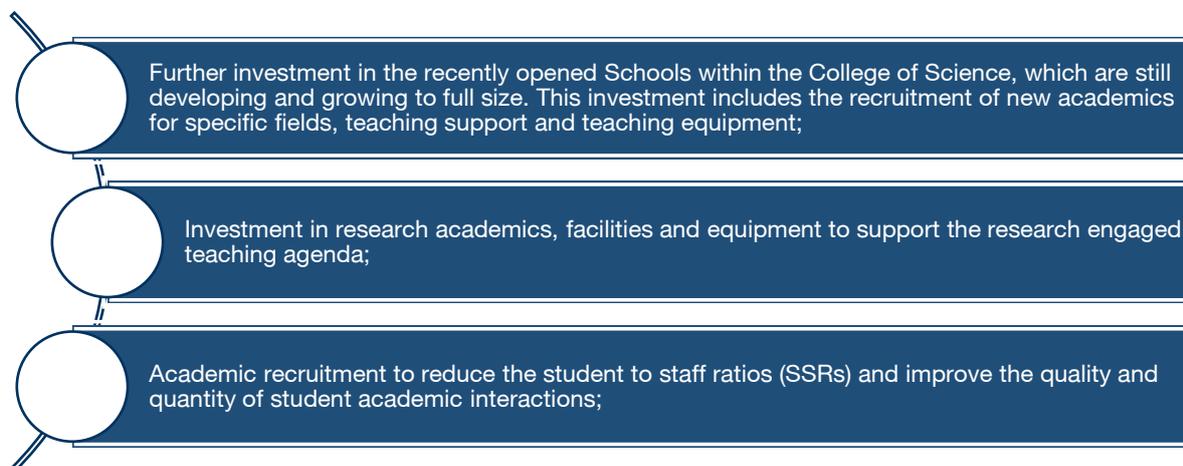
The table below sets out the University's view of its underlying operating surplus, along with an adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). We consider that these measures give a more useful view of underlying financial performance of the University.

Operating Surplus	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Surplus Before Tax	564	811	2,459	7,707	10,485
Less capital grants recognised in year	(1,330)	(1,317)	(1,700)	(5,965)	(3,524)
Add net interest charge on pension schemes	380	1,231	1,179	1,402	1,519
Add impact of LGPS one-off past service adjustments	512	-	-	-	-
Add/less fair value loss/(gain) on financial instruments	(64)	31	(1,180)	4,895	(2,712)
Add staff restructuring costs	1,180	366	553	303	1,042
Add provision for one-off property obligations	2,400	-	-	-	-
Add adjustment for property impairment	(695)	-	-	-	-
Less/add USS deficit recovery charge/(credit)	2,783	(138)	(148)	237	1,017
Operating Surplus	5,756	984	1,163	8,579	7,827
Depreciation	9,762	9,645	8,420	7,595	6,962
Interest payable on bank loans	3,304	3,441	3,358	2,738	2,529
Interest received on bank deposits	(370)	(294)	(385)	(356)	(274)
Adjusted EBITDA	18,453	13,776	12,556	18,556	17,044



Financial review for the year ended 31 July 2019

Whilst the operating surplus has increased from £1.0m to £5.8m, this is still at a low level compared to both the sector benchmark, and sector recognised sustainability KPI (MSI; the Margin for Sustainability and Investment). This is a result of the University continuing its substantial level of revenue reinvestment to develop facilities and enhance the student experience. This includes:



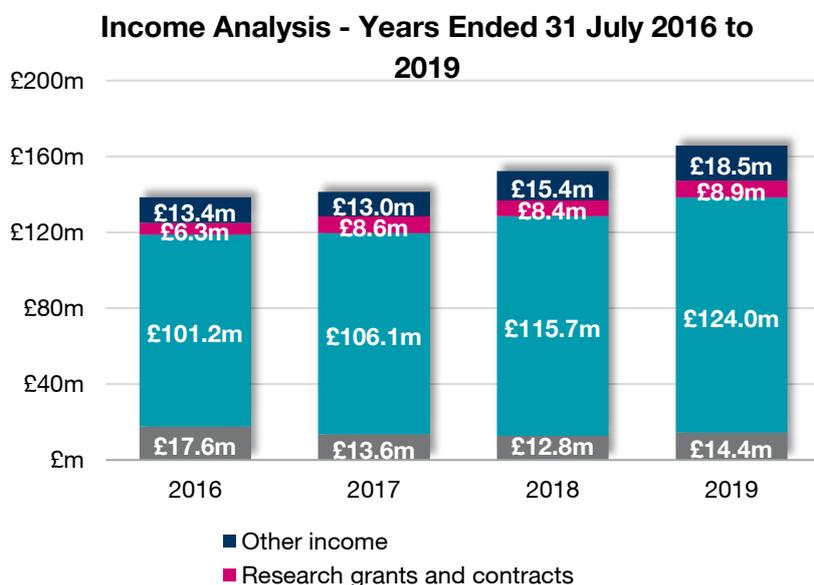
Non-Operating Items

Certain items have been excluded from the operating result set out above due to either their treatment under FRS102 or their non-operational nature, as explained below.

- The table on page 15 starts at the 'Surplus before tax' as set out on the income and expenditure statement on page 17. This therefore excludes the market adjustments, being the change in fair value of investment property and the actuarial gains and losses on the pension scheme. These are non-operational and, to a significant extent, out of the University's control;
- In accordance with FRS102, capital grants are recognised within income once any associated performance criteria have been met. These grants can therefore be both large and sporadic and have been excluded from the operating result;
- The interest charge on the pension schemes has been excluded. This mainly comprises a charge related to the net deficit in the Local Government Pension Scheme and is considered to be non-operational;
- The USS pension scheme recovery plan was formally approved in 2014/15, which resulted in a one-off charge to the consolidated statement of comprehensive income and expenditure. The 2017 valuation has since been finalised resulting in new contribution rates and a plan to eliminate the deficit. This has been excluded on the basis that it was a one-off material item, as has the annual charge due to changes to the discount rate, which is outside the University's control.
- The Local Government Pension Scheme (LGPS) charge for the year includes the impact of the McCloud judgement and Guaranteed Minimum Pension indexation in response to government consultation in 2019. This has been excluded on the basis that it is a charge in respect of changes to past service entitlements and is not a current service cost;
- The gain or loss on financial instruments have been excluded. This is driven by changes in the financial markets and is outside of the University's control;
- Whilst staff restructuring is an ongoing activity of any organisation, these costs have also been excluded from operating surplus for comparability, due to their varying size;
- The property provision is for a one-off event and considered non-operational;

Financial review for the year ended 31 July 2019

Income The University's income is derived principally from tuition fees, grants, research and other activities, as set out below:



Tuition fees and educational contracts includes both Home/EU and international students. Full-time international tuition fee income accounts for 9.2% of the total tuition fees (2017/18: 9.2%). This has level has been maintained year-on-year despite the increasing competition in the global market and the challenges faced in attracting international students.

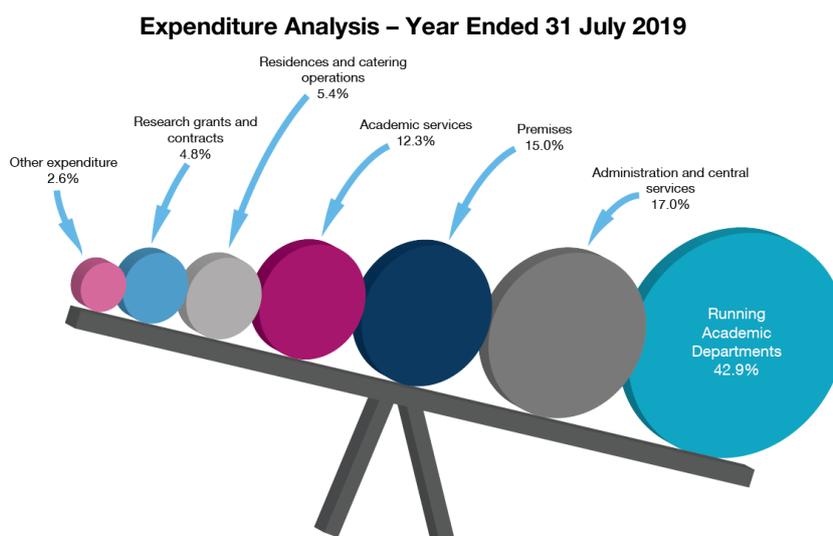
The full-time Home/EU market remains the largest proportion of tuition fees and education contracts and has continued successful growth, with a 7.5% year-on-year increase.

Funding body grants includes £1.3m (2017/18: £1.3m) in respect of capital funding received and recognised in the year. This was primarily from the OfS and UKRI to support the development of teaching and research at the University.

Other income includes revenues come from residences, catering, conferences, property rental, consultancy and other sundries.

Expenditure The graphic below sets out the profile of the University's major expenditure items.

The University's total expenditure, excluding depreciation, amortisation, interest and other finance costs, increased by 11.2% between 2017/18 and 2018/19. All costs have been closely monitored and controlled with the income from tuition fees invested primarily in improving the student experience and student facilities. Substantial investment has been made in the Colleges supporting the research-led teaching agenda, along with significant levels of bursaries and scholarships.



Academic expenditure accounts for 55.2% (2017/18: 55.5%) of total expenditure. This includes student support services such as the library and student IT systems.

Financial review for the year ended 31 July 2019

Balance Sheet

Total Net Assets Total net assets are £177.6m, which is a decrease of £14.9m compared to the prior year. The decrease is primarily due to the increased deficit in respect of the Local Government Pension Scheme (further detail on the pension deficit is set out later in this section).

Fixed assets

Fixed and intangible assets have remained relatively static at £283.8m (2018: £284.0m), with capitalised expenditure during the year of £8.9m. Key capital investments include:

- Reconfiguration and adaptation works to existing buildings to enhance teaching and research space;
- The continued substantial investment in information technology as part of a multi-year programme to renew multiple key business systems;
- Commencement of the new Medical School building; and
- Purchase of new residential accommodation.

In addition, 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 strong cash generation from operations and capital grant assistance, balanced with considered and responsible external

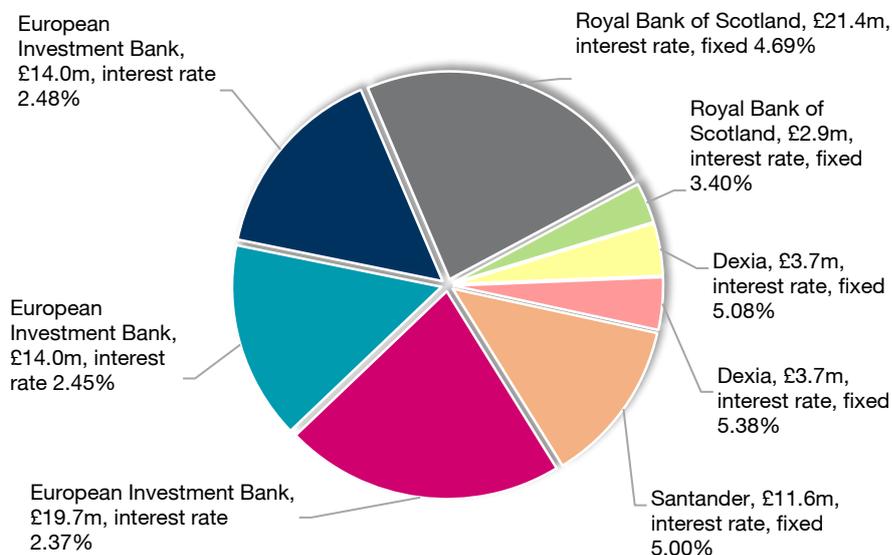
Net current assets

Net current assets have increased to £15.5m (2018: £12.3m) with an increase in cash (see below).

Cash and current asset investments (bank deposits accounts) of £34.5m have increased from the prior year by £5.2m. This increased cash position will support the capital building programme as works progress on a new Medical School building and further revenue investment to develop facilities and enhance the student experience.



Loans by Lender - as at 31 July 2019



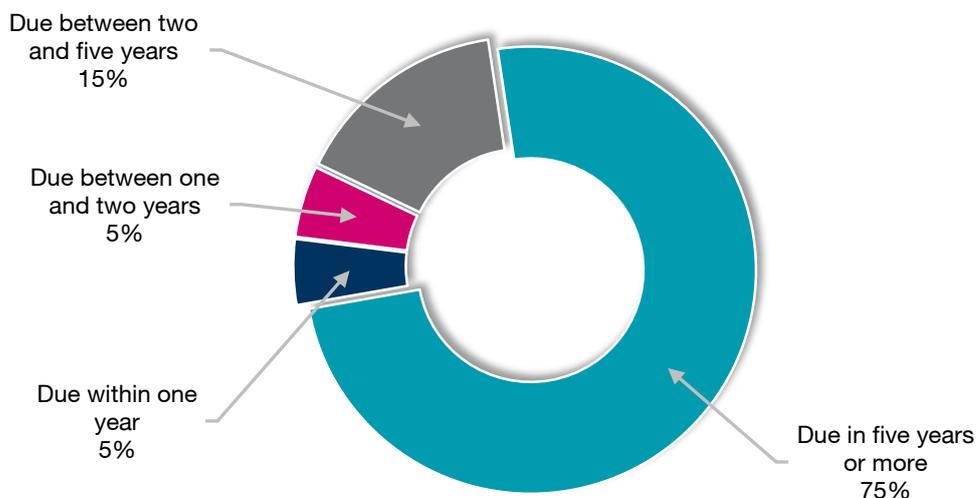
Long term liabilities

The University's long term liabilities primarily comprise of bank borrowings. As at 31 July 2019, borrowings amounted to £90.9m (2018: £94.1m).

The graph to the left sets out further detail on the composition of borrowings by lender, interest rate, and repayment profile.

As at 31 July 2019 the University had fixed the interest rate on all borrowings.

Drawn loans by repayment period - as at 31 July 2019



None of the University's borrowings are repayable on demand, providing that all loan terms are complied with and no financial covenant breached. There have been no breaches of any of the University's loan covenants during the year, and none are expected in the next 12 months.

Pension liability

The overall pension liability has increased by £26.9m to £40.3m (2018: £13.4m). The pension provision on the balance sheet reflects the University's net liability in respect of the Local Government Pension Scheme (LGPS), along with the University's contractual commitment to fund past deficits within the Universities Superannuation Scheme (USS).

LGPS

The LGPS net liability has increased to £35.7m (2018: £11.6m). The provision is based on assumptions recommended by the University's actuary in accordance with FRS102.

The funding position has worsened during the year primarily as a result of a change in financial assumptions in the latest actuarial report.

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 employer contribution rate is 25.3%. This comprises of 19.9% in respect of the future service rate and 5.4% deficit recovery repayment. The change in the deficit recovery repayment is based on the 15 year recovery plan updated by the latest full formal actuarial valuation, 31 March 2016.

The University does not anticipate making lump sum payments in to the scheme and will endeavour to reduce the deficit through increased contribution rates, which have been factored in to the University's long term financial plans.

USS

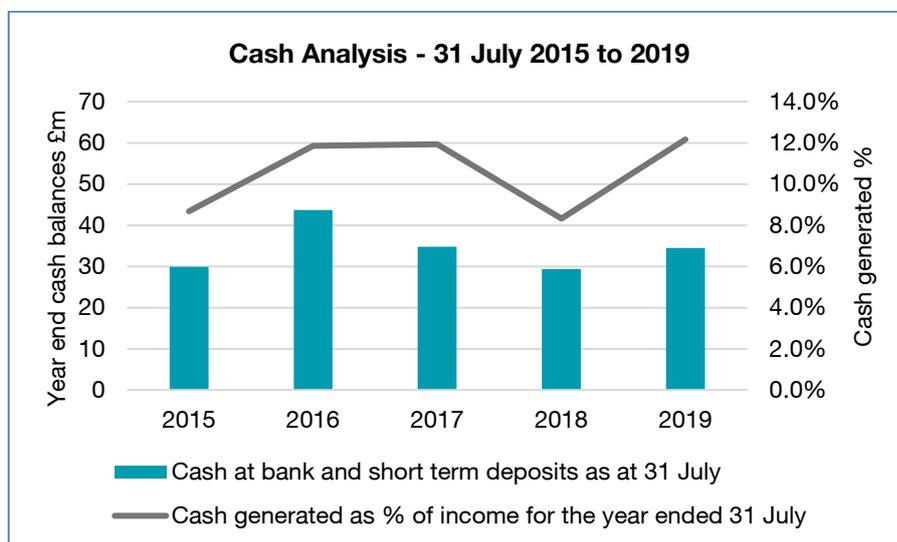
The USS liability has increased from £1.8m to £4.6m. This provision relates to an estimate of the University's share of the USS deficit, based on the USS 2017 valuation.

Financial review for the year ended 31 July 2019

Cash Generated and Cash Balances

The consolidated cashflow statement shows the net cash inflow during the year from operating activities was £20.2m (2018: £12.7m). Cash at bank and short term deposits increased from £29.3m to £34.5m.

Cash generated from operating activities was 12.2% of total income (2018: 8.3%).



The graph to the left sets out cash balances and cash generated as a % of income over a five-year period.

Surplus cash balances are invested in line with the University's Treasury Management Policy, which is reviewed and approved by the Board of Governors.

As at 31 July 2019, 5% (2018: 46%) of cash, cash equivalents and short term investments were deposited with UK banks and building societies. These banks and building societies met the three major credit rating agencies (Moody's, Standard & Poor's and Fitch) minimum ratings as determined by the Treasury Management Policy. The remaining 95% (2018: 54%) was invested in sterling money market funds, which are AAA-rated by both Standard & Poor's and Fitch.

Financial review for the year ended 31 July 2019

Treasury Management and Financial Instruments

Treasury Management

The University's treasury operations are managed within parameters formally defined and regularly reviewed by the Board of Governors (the Treasury Management Policy).

The University's treasury activity is reported annually to the members of the Board of Governors and is subject to review by the internal auditors. The Board of Governors also review and approve the Treasury Strategy at the start of each financial year.



Financial Instruments

The University's financial instruments comprise cash at bank, deposits repayable on demand, fixed-term deposits, and fixed-rate loans repayable to banks. The sole 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, security and liquidity. The risk is considered to be effectively managed through the University's Treasury Management Policy.

As previously noted, as at 31 July 2019 the University has fixed the interest rate on all borrowings. All interest rate fixes are arranged directly with the lender.

Further analysis of the University's borrowings at 31 July 2019 is set out in note 19 of these financial statements.

The University does not have any other hedges or derivatives.



Going Concern and Liquidity

The University ended the year with cash resources of £34.5m and bank borrowings of £90.9m, leaving net debt standing at £56.4m. All of the University's external funding is long term in nature, with 95.2% repayable beyond one year, and 74.6% repayable beyond five years.

The University regularly reviews its forecasts of cash flows and believes that it will continue to comply with all bank loan covenants. 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.

Charitable status and public benefit: The University as a charity for the year ended 31 July 2019

Public Benefit: The University as a Charity

Mission

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

In formulating the Strategic Plan for 2016-2021, staff and students across the University reflected on and debated the statement above. They concluded that it clearly articulated the mission of the University of Lincoln. The Strategic Plan commits to building on our reputation for excellent student engagement, which prepares our graduates for their future, and to working closely with our communities to ensure valuable impact from our research to make a meaningful contribution to our world.

The University is committed to developing and supporting research that enhances our futures, is purposeful and leads to improvements in society. We will also address research challenges from our locale that have global significance such as, but not exclusively, personalised health, agri-food technology, creativity, digital arts and digital archives, and rural communities. We aim to help our students develop into highly engaged, employable and creative-thinking graduates who contribute to the development of society and the economy.

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 our research and publishing the results.

The University is regulated by the Office for Students as the principal regulator of the English HEIs as charities. The members of the Board of Governors are the trustees of the charity. The role of the Board and the responsibilities of the Governors are described in the statement of corporate governance and internal control later in this section. In exercising these responsibilities, the Governors have had due regard to guidance issued by the Charity Commission.



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 Strategic Plan provides a number of examples of how the delivery of our institutional objectives contribute to the wider 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 February 2019, the University signed the new Civic University Agreement, a pledge to put Lincoln and Lincolnshire at the forefront of the University's priorities. The Agreement aims to help universities to build on work already being carried out around issues such as helping business to adapt to technological change, improving the health of local people, improving education and training, and developing new civic leaders in a multitude of fields. The Vice Chancellor was also awarded the Lincoln Civic Award for 2019 by the City of Lincoln Council. This honour recognised the contribution made by the University to the city and region over the past decade.

The opening of the Lincoln Medical School in September 2019, in partnership with the University of Nottingham, will respond directly to the needs of the county that has particular healthcare challenges with its rural geography and ageing population. Within a few years, the School will be delivering first-class medical training to around 400 students.

The full document can be viewed on the University's website at:

<https://www.lincoln.ac.uk/home/media/responsive2017/documents/the-new-civic-university-university-of-lincoln.pdf>

Charitable status and public benefit: The University as a charity for the year ended 31 July 2019

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 Students (OfS). For the academic year 2018/19, the standard fee for all new full-time undergraduate UK/EU students was set at £9,250, 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 2018/19, which was approved through the OfS, was linked to the provision of the University of Lincoln Support Package for students from low income backgrounds for every year of study. This package of support meant that all eligible students (approximately one in two of the University's 2018/19 entrants) received direct financial support for the first year of their course, with the same support being available throughout their course for future years.

The Vice Chancellor's Scholarship and the University Excellence Scholarships are provided in addition to the OfS 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 consider 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 guidance, advice, financial support, sports and exercise facilities as well as mental health, wellbeing and

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 2018/19, a total amount of £4,000 was paid in respect of claims made by eight Governors. This figure represents the reimbursement 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 financial year 2018/19 to any Governor for services provided to the University. Note 7 to these financial statements summarise 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 2019

The statements below relate to the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the audited financial statements.

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 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 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. Ms Di Lees CBE became Chair of the Board of Governors on 1 August 2018, having been appointed to that office by the Board of Governors at its meeting on 25 April 2018. More information about the Board and its members can be found on the University's website: <http://lincoln.ac.uk/home/abouttheuniversity/governance/>.

Responsibilities of the Board of Governors

The Higher Education Code of Governance, published 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 governing body role is set out in more detail in a Statement of Primary Responsibilities of the Board of Governors, based on the Articles of Government and on guidance from the CUC, which is published on the University's website.

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. It is particularly concerned with issues relating to the learning, teaching and research work of the University, to academic quality and standards, and to the student experience.

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). The Vice Chancellor, as chief executive, 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. This includes the development and delivery of the institutional strategy, the identification and planning of new initiatives and the shaping of the institutional ethos. The Deputy Vice Chancellors and the senior academic and professional staff all contribute in essential ways to these aspects of the work, but the ultimate responsibility for approval of the strategic direction, institutional character and financial sustainability rests with the Board of Governors.

The Board has adopted the CUC's Higher Education Code of Governance and, following detailed consideration at a Strategy Day in July 2016, is assured that the University's governance structures and procedures fulfil the seven primary elements set out in the Code.

Between 1 August 2018 and 31 July 2019, the Board of Governors met on eight occasions. It also held a Strategy Day, together with the Senior Management Team, which focused on governance; general responsibilities of a University Governor; the role of Governors in risk management; operation of the Board; the Governors' work as sponsors of the Strategic Plan's key performance indicators; and income diversification.

The Board also has sub-committees and task-and-finish groups:

- The Nominations Committee, whose primary role is to make recommendations to the Board about the appointment and reappointment of members of the Board and its committees, met on four occasions during 2018/19. Conscious of the need for succession planning and refreshment of its membership, the Nominations Committee recommended the appointment of one new independent member, who was appointed from 1 March 2019, and a new co-opted governor, appointed from 1 August 2019, bringing fresh talent to the governance of the University.
- The Remuneration Committee, whose responsibilities include reviewing the performance and determining the remuneration of the most senior staff, including the Vice Chancellor, met three times during 2018/19, giving detailed consideration to the Committee's terms of reference following a positive internal audit regarding the University's compliance with the CUC HE Remuneration Code and an updated Senior Remuneration Policy.

Statement of corporate governance and internal control for the year ended 31 July 2019

- The Audit Committee met five times during 2018/19. 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 auditors' formal opinion, prior to their presentation to the Board of Governors. The University's external and internal auditors attend Audit Committee meetings, and during the year the Committee meets the auditors on their own for private discussions. The Board of Governors' Further Education Oversight Group met twice during 2018/19.

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 fora. The Court met once during 2018/19.

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 that 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 risk in the following areas: business, operational, reputational, compliance and financial. The system represents an ongoing process designed to: identify the principal risks to the achievement of the University's aims and objectives; to evaluate the nature and extent of those risks; and to anticipate and manage them. This process has been in place for the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the audited financial statements.

The role of the Board of Governors in relation to risk is at overview level, and Governors are not responsible for managing risk at operational level. 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; and roles, responsibilities and reporting procedures relating to risk management in the academic Colleges and the professional service areas. In accordance with the Policy and Strategy, the Senior Leadership 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 risk register (HLRR), 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 the Audit Committee, the Board of Governors and the Senior Leadership Team understand the strategic importance of managing these risks effectively. In response to the decision that the UK would withdraw from the European Union, Brexit considerations have been included within the relevant risks in the HLRR and, as part of an on-going process, a separate Brexit register was developed to continue to look at the risks and opportunities for each of the elements affected.

The Audit Committee has continued its active oversight of University risk management, receiving reports from the Director of Planning and Corporate Strategy (the department with lead responsibility for risk management), following review and re-scoring of the HLRR by the Senior Leadership Team in November 2018, and again in July and November 2019. As part of the risk review process, each risk area is further broken down into lower sub-risks representing contributing factors to the high level risks. This approach ensures that risk assessment and internal control are embedded in ongoing operations, and that monitoring at all levels is undertaken effectively.

Statement of corporate governance and internal control for the year ended 31 July 2019

The Senior Leadership Team (SLT) regularly reviews the management of high level institutional risks. The high level risk register is reviewed in detail biannually via a re-scoring exercise where all members of the SLT consider and score all risks. These are then collated, with those with a wider distribution of scores being discussed in detail. This includes an assessment of each of the risk areas against the Strategic Plan, and a review of key risks identified within the local risk registers. Following the SLT reviews, the Audit Committee gave detailed consideration to the re-scored register in order to obtain assurance on the identification and management of risks to the University's strategic ambitions. The Committee commends these six-monthly reviews as assurance that the Executive is keeping the institutional risk profile under appropriate scrutiny and taking a proactive approach to risk management.

Review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the members of the Executive, who have responsibility for the development and maintenance of the internal control framework, and by comments made in the external auditors' annual report. The Audit Committee considers at least one report on risk management by the internal auditors each year. The Committee will discuss PwC's 2018/2019 internal audit review in October 2019.

The principal results of risk identification, risk evaluation and the management review of their effectiveness are reported to, and reviewed by, the Board of Governors. The Board received reports on risk management and the re-scoring of the high level risk register, in November 2018, and July and November 2019. Each November, the Board also considers the Annual Report of the Audit Committee, prior to the approval of the previous year's audited financial statements.

Statement of responsibilities of the Board of Governors for the year ended 31 July 2019

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;
- 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:

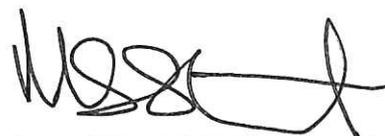
- Ensure that the funds from the Office For Students, Research England and the Education and Skills Funding Agency are used only for the purposes for which they have been given, in accordance with the terms and conditions of OfS funding and Research England grant, and with the funding agreements with the Education and 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;
- 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;
- A professional Internal Audit team operating to standards defined in the OfS 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.



Ms D Lees CBE – Chair of the Board
28 November 2019



Professor M Stuart CBE – Vice Chancellor
28 November 2019

Independent auditor's report to the Board of Governors of the University of Lincoln for the year ended 31 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF UNIVERSITY OF LINCOLN

Opinion

We have audited the financial statements of University of Lincoln ("the University") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the group's and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The governors are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including Key Highlights, the Strategic Report, Financial review, Charitable Status and Public Benefit Report and the Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OfS") and Research England

In our opinion, in all material respects:

- Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.

Independent auditor's report to the Board of Governors of the University of Lincoln for the year ended 31 July 2019

- The requirements of the OfS's accounts direction have been met.

Responsibilities of the governors

As explained more fully in the statement of responsibilities of the Board of Governors set out on page 27, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the governors either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

This report is made solely to the University board of governors, as a body, in accordance with Section 75 of the Higher Education Research Act 2017. Our audit work has been undertaken so that we might state to the University's board of governors those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the governors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO WP

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham

Date: 29 November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of accounting policies for the year ended 31 July 2019

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 2015 and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. The results of subsidiaries newly incorporated, acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of incorporation or acquisition and up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Jointly controlled entities are accounted for using the equity method.

Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure 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.

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

(a) Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

(b) Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms and other restrictions applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

Statement of accounting policies for the year ended 31 July 2019

- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

(c) Capital grants

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

Accounting estimates and judgements

The preparation of the financial statements requires management to use estimates and judgements that affect the reported carrying amounts of assets and liabilities.

(a) Pension costs (defined benefit pension schemes)

In determining the valuation of defined benefit pension schemes, the University makes assumptions in respect of inflation rates, life expectancy, discount rate and salary and pension growth rates. Details of the assumptions used are set out in note 26. Management consult with a qualified actuary in making these assumptions.

(b) Pension costs (Universities Superannuation Scheme)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The University is satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised a provision to reflect the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

The present value of the provision depends on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, using external professional advice, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

As at the balance sheet date, the 2018 actuarial valuation of USS had been undertaken but not formally completed. There remained final stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period. In the judgement of the University, it therefore remains appropriate to account for the past deficit obligation in accordance with the plan agreed after the 2017 actuarial valuation as at the balance sheet date.

However, as at the balance sheet date, a significant risk existed that the year-end provision as calculated would not reflect the position following the final outcome of negotiations, potentially by a significant amount depending upon what was finally agreed as regards future deficit contributions and their duration. The outcome of the final negotiations crystallised this risk, with further detail set out in note 25, post balance sheet events.

(c) Fixed asset and investment property revaluation

On the application of FRS102 management revalued certain fixed assets and reassessed the remaining useful life of buildings. These assumptions were set based on the advice of a suitably qualified valuer. Assets which are classified as investment property are revalued at each reporting date based on advice from a suitably qualified valuer.

Statement of accounting policies for the year ended 31 July 2019

(d) Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement. The accrual requires management's best estimate of outstanding holiday balances based on a review of holiday records of a sample of academic and administrative staff.

(e) Dilapidation provision

Provision is made for the cost of dilapidations of certain of the University's buildings. This provision requires management's best estimate of the costs that will be incurred to settle a present obligation and management consult with a qualified valuer in making these assumptions.

(f) Derivatives

The University has reviewed the terms of the bank loan agreements and consider that those loans where there was a commitment at the balance sheet date to draw down further tranches of loan subsequent to the year end and the interest rate was fixed meet the definition of an 'other financial instrument' because there is perceived value in shielding the University from fluctuations in the market rate of interest up to the date we draw down the remaining tranches. For this reason, these instruments have been accounted for at fair value. The derivative financial liability represents the fair value at the balance sheet date calculated using estimated interest rates that could have been obtained for the same loans at the balance sheet date.

The estimated value of derivative transactions is the valuation at the balance sheet date and this valuation can change significantly even over a very short space of time. The valuation of derivative transactions is complex and such transactions can be calculated in a number of different ways and using a variety of methods. There are a number of factors that can affect the value of a transaction and which may not be taken into account in the valuation estimate provided. This may result in the transaction having an actual value which is higher or lower than the estimate included in these financial statements.

(g) Bad debt provision

The University makes an estimate of the recoverable value of debtors. When assessing the provision for bad debt required, consideration is given to the aged profile of debtors and historical experience.

(h) Dispute resolution

The University has been seeking a resolution to a dispute of the title of certain assets (land and buildings) for a number of years. As at the 31 July 2019, a signed legal agreement had been reached to settle the dispute. A provision has been made in accordance with Section 21 of FRS102 ("Provisions and Contingencies") to reflect the terms of the legal agreement. Whilst the terms of the agreement are binding, there remains an element of uncertainty and estimation around the value of the economic benefits being transferred in order to settle the obligation.

Accounting for retirement benefits

The four principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Teachers Pension Scheme (TPS), the East Riding Pension Fund (ERPF) and the Universities and Colleges Retirement Savings Scheme (UCRSS). The TPS and ERPF are defined benefit schemes, the UCRSS is a defined contribution pension scheme, and the USS is a hybrid scheme.

(a) Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 ("Employee benefits"), the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Statement of accounting policies for the year ended 31 July 2019

(b) Teachers Pension Scheme (TPS)

The TPS is a multi-employer pension scheme and the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. The TPS is therefore accounted for as a defined contribution retirement benefit scheme. The scheme is unfunded, and contributions are made to the Exchequer. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year. The payments from the scheme are made from funds voted by parliament.

(c) East Riding Pension Fund (ERPF)

The University is able to identify its share of assets and liabilities of the ERPF and consequently accounts for this as a defined benefit scheme in accordance with FRS102. The University's net obligation in respect of the ERPF is calculated by estimating the present value of the future benefits that employees have earned in return for their service in the current and prior periods, less the fair value of plan assets.

The liability discount rate is the yield at the balance sheet date on high quality corporate credit rated bonds, denominated in sterling, and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

(d) Universities and Colleges Retirement Savings Scheme (UCRSS)

The UCRSS is a defined contribution pension scheme. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the university expects to pay as a result of the unused entitlement.

Apprenticeship levy

Payments made to HMRC under the Apprenticeship Levy represent a prepayment for training services and are held as an asset on the balance sheet to the extent that they are regarded as more likely than not that they will be recovered. When training services are received an appropriate expense is recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Costs in respect of operating leases are charged to the Consolidated Statement of Comprehensive Income and Expenditure on a straight-line basis over the lease term. In cases where lease payments are structured to increase with expected general inflation, costs are charged in line with the annual payments made. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

Statement of accounting policies for the year ended 31 July 2019

Intangible assets

Intangible assets comprise software development costs. These are stated at cost less accumulated amortisation and accumulated impairment losses. Software development costs are amortised on a straight-line basis over their expected useful life to the asset, up to a maximum of 10 years. Amortisation methods, impairment losses, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Fixed assets

Fixed assets are stated at cost, or deemed cost, less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

(a) Land and buildings

Certain of the University's land and buildings were professionally revalued to their fair value on the date of transition to FRS102. Under the transitional rules of FRS102, the revalued amount at that date is stated as the deemed cost. Land and buildings acquired after the date of transition are stated in the balance sheet at cost. Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful life to the University of between 10 and 50 years. Leasehold land and buildings are depreciated over the life of the lease, up to a maximum of 50 years.

(b) Equipment

Equipment, including computers and software, costing less than £20,000 per individual item is charged to the Consolidated Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment, including motor vehicles, is capitalised at cost and depreciated on a straight-line basis over their expected useful life to the University of between 3 and 20 years.

(c) Assets in the course of construction

Assets in the course of construction are accounted for at cost and are not depreciated until they are available for use.

Borrowing costs which are directly attributable to the purchase and construction of fixed assets are not capitalised. Borrowing costs are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

Depreciation methods, impairment losses, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Properties are not depreciated but are revalued or reviewed annually according to market conditions at each balance sheet date.

Financial instruments

Financial instruments treated as 'basic financial instruments' under the provisions of Section 11 of FRS102 comprise cash, deposits repayable on demand, fixed term deposits, investments in shares and loans payable.

There is a judgement in the classification of loans payable between 'basic financial instruments' and 'non basic financial instruments'. The two key judgements concern market disruption events and the possibility of payment of break gains by the Lender to the Borrower on termination of a loan and whether these meet the basic classification features.

Statement of accounting policies for the year ended 31 July 2019

Financial instruments treated as 'non basic financial instruments' under the provisions of Section 12 of FRS102 comprise certain elements of loans payable. These are held at fair value at each balance sheet date.

Fixed interest rate agreements on drawn loans payable, where the interest rate is fixed directly with the lender, are not separate stand-alone financial instruments. The loans payable are recognised at amortised cost at each balance sheet date.

Forward fixed interest rate agreements on undrawn borrowings are recognised as separate stand-alone financial instruments and are accounted for under the provisions of Section 12 of FRS102 (Other Financial Instrument Issues). These are held on the balance sheet at fair value. Movements in the fair value are recognised in the Consolidated Statement of Comprehensive Income and Expenditure and are included in the surplus or deficit for the year. Once the loan is drawn down the fair value of the related loan commitment is amortised over the term of the loan and there are no further fair value movements.

Investments

Non-current asset investments are held on the balance sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Jointly controlled entity

The University accounts for its share of jointly controlled entity using the equity method.

Stock

Stock is held at the lower of cost and net realisable value, and is measured using an average cost formula.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Statement of accounting policies for the year ended 31 July 2019

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 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 section 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 (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT incurred on 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.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Consolidated statement of comprehensive income and expenditure for the year ended 31 July 2019

	Note	2019 Consolidated £000	2019 University £000	2018 Consolidated £000	2018 University £000
Income					
Tuition fees and education contracts	1	123,967	123,967	115,653	115,653
Funding body grants	2	14,441	14,441	12,829	12,829
Research grants and contracts	3	8,876	8,876	8,377	8,377
Other income	4	17,942	18,020	15,103	15,079
Investment income	5	370	369	294	292
Total income before endowments and donations		165,596	165,673	152,256	152,230
Donations and endowments	6	205	205	40	40
Total Income		165,801	165,878	152,296	152,270
Expenditure					
Staff costs	7	94,936	91,069	85,726	85,605
Other operating expenses		57,535	61,577	51,387	51,685
Depreciation and impairment	11/12	9,069	9,069	9,645	9,645
Interest and other finance costs	8	3,715	3,715	4,703	4,703
Total expenditure	9	165,255	165,430	151,461	151,638
Surplus before other gains/(losses) and share of surplus/(deficit) in joint ventures and associates		546	448	835	632
Share of operating surplus/(deficit) in joint venture	14	18	-	(24)	-
Surplus before tax		564	448	811	632
Taxation	10	-	-	-	-
Surplus for the year		564	448	811	632
Change in fair value of investment property	13	7,071	7,071	180	180
Actuarial (loss)/gain in respect of pension	27	(22,502)	(22,502)	35,106	35,106
Gift Aid received		-	116	-	204
Total comprehensive income for the year		(14,867)	(14,867)	36,097	36,122
Represented by:					
Endowment comprehensive income for the year		86	86	(16)	(16)
Unrestricted comprehensive income for the year		(14,953)	(14,953)	36,113	36,138
		(14,867)	(14,867)	36,097	36,122
Surplus for the year attributable to:					
University		564	448	811	632
Total Comprehensive income for the year attributable to:					
University		(14,867)	(14,867)	36,097	36,122

All items of income and expenditure relate to continuing activities.

The notes on pages 41 to 58 form part of these financial statements.

Consolidated and University statement of changes in reserves for the year ended 31 July 2019

Consolidated	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 31 July 2017	378	-	156,000	156,378
(Deficit)/surplus from income and expenditure statement	(16)	-	36,113	36,097
Total comprehensive income for the year	(16)	-	36,113	36,097
Balance at 31 July 2018	362	-	192,113	192,475
Surplus/(deficit) from income and expenditure statement	86	-	(14,953)	(14,867)
Total comprehensive income for the year	86	-	(14,953)	(14,867)
Balance at 31 July 2019	448	-	177,160	177,608

University	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 31 July 2017	378	-	155,975	156,353
(Deficit)/surplus from income and expenditure statement	(16)	-	36,138	36,122
Total comprehensive income for the year	(16)	-	36,138	36,122
Balance at 31 July 2018	362	-	192,113	192,475
Surplus/(deficit) from income and expenditure statement	86	-	(14,953)	(14,867)
Total comprehensive income for the year	86	-	(14,953)	(14,867)
Balance at 31 July 2019	448	-	177,160	177,608

The notes on pages 41 to 58 form part of these financial statements.

Consolidated and University balance sheets as at 31 July 2019

	Note	2019 Consolidated £000	2019 University £000	2018 Consolidated £000	2018 University £000
Non-current assets					
Intangible assets	11	3,692	3,692	-	-
Fixed assets	12	280,124	280,124	283,975	283,975
Investment property	13	8,881	8,881	1,810	1,810
Investments	14	40	58	40	40
Investment in jointly controlled entities	15	18	-	-	-
		<u>292,755</u>	<u>292,755</u>	<u>285,825</u>	<u>285,825</u>
Current assets					
Stock	16	88	88	78	78
Trade and other receivables	17	17,257	17,328	15,308	15,309
Cash and cash equivalents	23	34,469	34,214	29,318	29,290
		<u>51,814</u>	<u>51,630</u>	<u>44,704</u>	<u>44,677</u>
Creditors: amounts falling due within one year	18	(36,359)	(36,175)	(32,400)	(32,373)
Net current assets		<u>15,455</u>	<u>15,455</u>	<u>12,304</u>	<u>12,304</u>
Total assets less current liabilities		<u>308,210</u>	<u>308,210</u>	<u>298,129</u>	<u>298,129</u>
Creditors: amounts falling due after more than one year	19	(87,661)	(87,661)	(92,061)	(92,061)
Provisions					
Pension provisions	20	(40,301)	(40,301)	(13,353)	(13,353)
Other provisions	20	(2,640)	(2,640)	(240)	(240)
Total net assets		<u>177,608</u>	<u>177,608</u>	<u>192,475</u>	<u>192,475</u>
Restricted Reserves					
Income and expenditure reserve – endowment	22	448	448	362	362
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		177,160	177,160	192,113	192,113
Total Reserves		<u>177,608</u>	<u>177,608</u>	<u>192,475</u>	<u>192,475</u>

The financial statements were approved by the Board of Governors on 28 November 2019 and signed on its behalf on that date by:

Ms D Lees CBE – Chair of the Board

Professor M Stuart CBE – Vice Chancellor

The notes on pages 41 to 58 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2019

	Note	2019 Consolidated £000	2018 Consolidated £000
Cash flow from operating activities			
Surplus for the year before taxation		564	811
Adjustment for non-cash items			
Depreciation	11	9,068	9,645
(Increase)/decrease in stock	15	(10)	36
Increase in debtors		(2,002)	(679)
Increase/(decrease) in creditors		4,294	(2,266)
Increase in pension provision	19	4,446	3,605
Increase/(decrease) in other provisions	19	2,400	(345)
Share of operating (surplus)/deficit in joint venture	14	(18)	24
Adjustment for investing or financing activities			
Investment income	5	(275)	(199)
Interest payable	8	3,304	3,441
Amortisation of derivative asset	5	31	31
Amortisation of derivative liability	8	(96)	(95)
Endowment income	6	(205)	(40)
Capital grant income		(1,330)	(1,317)
Net cash inflow from operating activities		20,171	12,652
Taxation	10	(2)	-
Net cash inflow from operating activities		20,169	12,652
Cash flows from investing activities			
Capital grant receipts		1,896	1,317
Investment income		278	240
Payments made to acquire fixed assets		(11,008)	(12,250)
Decrease in short term deposits		-	4,000
Net cash outflow from investing activities		(8,834)	(6,693)
Cash flows from financing activities			
Interest paid		(3,292)	(3,421)
Endowment cash received		205	40
New loans granted		-	(1,363)
Secured loans repayments received		25	-
Repayments of amounts borrowed		(3,122)	(2,673)
Net cash outflow from financing activities		(6,184)	(7,417)
Decrease in cash and cash equivalents in the year		5,151	(1,458)
Cash and cash equivalents at beginning of the year	22	29,318	30,776
Cash and cash equivalents at the end of the year		34,469	29,318

The notes on pages 41 to 58 form part of these financial statements.

Notes to the financial statements

year ended 31 July 2019

1 Tuition fees and education contracts	2019	2019	2018	2018
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	106,230	106,230	98,728	98,728
Full-time international students	11,381	11,381	10,600	10,600
Part-time students	5,201	5,201	5,031	5,031
Short courses and summer schools	687	687	752	752
Further education students	468	468	542	542
	<u>123,967</u>	<u>123,967</u>	<u>115,653</u>	<u>115,653</u>
2 Funding body grants				
Recurrent grants				
Higher Education Funding Council for England (HEFCE)	-	-	6,708	6,708
Office for Students (OfS)	6,055	6,055	1,415	1,415
UK Research and Innovation (UKRI)	3,684	3,684	1,200	1,200
Skills Funding Agency (SFA)	2,290	2,290	1,050	1,050
Specific grants				
HEFCE – Higher Education Innovation Fund	-	-	424	424
UKRI – Higher Education Innovation Fund	839	839	310	310
HEFCE – other specific grants	-	-	402	402
OfS – other specific grants	-	-	3	3
UKRI – other specific grants	277	277	-	-
HEFCE – capital grants	-	-	1,317	1,317
OfS - capital grants	1,040	1,040	-	-
UKRI – capital grants	256	256	-	-
	<u>14,441</u>	<u>14,441</u>	<u>12,829</u>	<u>12,829</u>
3 Research grants and contracts				
Research Councils	1,779	1,779	1,346	1,346
UK based charities	1,375	1,375	2,203	2,203
UK Central/Local Government/Health/Hospitals	2,673	2,673	2,700	2,700
Industry and commerce	812	812	494	494
European Union	1,851	1,851	1,283	1,283
Overseas	386	386	351	351
	<u>8,876</u>	<u>8,876</u>	<u>8,377</u>	<u>8,377</u>
4 Other income				
Residences, catering and conferences	10,590	10,590	9,212	9,212
Other income generating activities	7,352	7,430	5,891	5,867
	<u>17,942</u>	<u>18,020</u>	<u>15,103</u>	<u>15,079</u>
5 Investment income				
Income from short term deposits	197	196	145	143
Amortisation of derivative liability	95	95	95	95
Other investment income	78	78	54	54
	<u>370</u>	<u>369</u>	<u>294</u>	<u>292</u>

Notes to the financial statements year ended 31 July 2019

6 Donations and endowments	2019	2019	2018	2018
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
New endowments			23	23
Donations with restrictions	205	205	17	17
	205	205	40	40

7 Staff costs

Staff costs by type:

Salaries	70,017	66,665	64,368	64,263
Social Security costs	7,157	6,912	6,747	6,740
Movement on USS provision	(87)	(87)	(138)	(138)
USS deficit recovery	2,870	2,870	-	-
Other pension costs	13,799	13,529	14,383	14,374
Staff restructuring costs	1,180	1,180	366	366
	94,936	91,069	85,726	85,605

Average staff numbers by major category:	2019	2019	2018	2018
	Consolidated	University	Consolidated	University
	Number	Number	Number	Number
Teaching departments	1,256	1,200	1,186	1,186
Teaching support services	145	133	137	137
Other support services	63	48	62	62
Administration and central services	268	232	256	246
Premises	33	26	31	31
	1,765	1,639	1,672	1,662

Senior staff pay

Remuneration package of the Vice-Chancellor:	2019	2018
	Consolidated	Consolidated
	£000	£000
Basic salary	242	242
Performance related pay and other bonuses	5	7
Payments in lieu of pension contributions	40	39
Other taxable benefits (private medical insurance)	2	2
Non-taxable benefits (employer's contribution for life assurance)	5	5
	294	295

The Vice Chancellor role is formally evaluated based on the responsibilities and duties through the application of a recognised role evaluation methodology and benchmarked against local, sector, national and international data on an annual basis. The University's Remuneration Committee subsequently determine remuneration arrangements in line with the evaluation outcome alongside:

- the context within which the University operates;
- the expected contribution of the role;
- the attributes required to undertake the role; and
- the value added, based on a number of elements, delivered by the role holder through their performance against annually set objectives, in line with the strategic direction of the University.

Notes to the financial statements

year ended 31 July 2019

7 Staff costs (cont.)

Payment arrangements will demonstrate value for money whilst also being sufficient to recruit, retain and motivate the role holder or future prospective role holder in the context of the market for that role.

Pay ratio of Vice-Chancellor's remuneration to the median remuneration of all other employees:

	2019 Consolidated	2018 Consolidated
	Pay ratio	Pay ratio
Basic salary ratio	6.7 times	6.8 times
Total remuneration ratio	6.9 times	7.0 times

Other higher paid staff (with basic salary over £100,000 per annum):

	2019	2018
	Number	Number
Basic salary per annum		
£100,000 to £104,999	4	2
£105,000 to £109,999	2	1
£110,000 to £114,999	4	1
£115,000 to £119,999	2	4
£120,000 to £124,999	2	2
£125,000 to £129,999	2	1
£130,000 to £134,999	1	2
£135,000 to £139,999	-	-
£140,000 to £144,999	-	3
£145,000 to £149,999	5	-

Key management personnel

Key management personnel are defined as the Senior Leadership Team, who have authority and responsibility for planning, directing and controlling the activities of the University. Key management personnel compensation includes all benefits provided by the Group in exchange for services rendered.

	2019 Consolidated	2018 Consolidated
	£000	£000
Key management personnel compensation	2,768	2,668

Severance payments

During the year total severance payments amounting to £1,230,000 (2018: £386,000) were paid to 120 employees (2018: 25 employees) across the consolidated group. All amounts paid were in respect of loss of office.

Notes to the financial statements year ended 31 July 2019

7 Staff costs (cont.)

Governing body

The University's Board of Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn, in part, 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 and usual procurement procedures.

All transactions greater than £10,000 are listed below:

- Transactions totalling £1,091,789 relating to associated service charges, building, furniture and equipment rental charges and supporting activity with Siemens Industrial Turbomachinery Ltd where Mr N Corner is the Managing Director.
- Transactions totalling £21,769 relating to placement opportunities, office rental and the related service charges with Epix Media Limited where Mrs Z King (Formerly Ms Z Easey) is Director.
- Transactions totalling £12,000 relating to contributions to UoL Centre for Culture & Creativity with General Imperial War Museums where Ms D Lees is the Director.
- Transactions totalling £1,704,706 relating to relating to block grant, rental charges and supporting activity with University of Lincoln Students' Union where K Muzangaza is chair.
- Transactions totalling to £896,349 relating to rental charges with Lincoln Science and Innovation Park where Professor M Stuart CBE is a Director.
- Transactions totalling £62,091 relating to PhD Studentships and HEAT Research Project with University of Nottingham where Mr S Bailey is a Professor.
- Transactions totalling £26,261 relating to contribution to LPAC Ambition for Excellence, venue hire and conferences with Lincoln Drill Hall where Dr K Savage is a Trustee.

No member of the Board of Governors has received any remuneration or waived payments from the group during the year (2018: £nil).

The total expenses paid to eight members of the Board of Governors was £4,000 (2018: £8,000 to nine Governors). This figure represents the refunding of out-of-pocket expenses in attending meeting 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 as these are borne directly by the University.

8 Interest and other finance costs

	2019 Consolidated £000	2019 University £000	2018 Consolidated £000	2018 University £000
Loan interest	3,304	3,304	3,441	3,441
Amortisation of derivative asset	31	31	31	31
Net charge on pension scheme	341	341	1,189	1,189
Unwinding of discounts on pension provisions	39	39	42	42
	3,715	3,715	4,703	4,703

9 Analysis of total expenditure by activity

Academic departments	70,906	70,906	66,586	66,586
Academic services	20,314	20,314	17,506	17,506
Administration and central services	28,147	28,147	26,259	26,436
Premises	24,831	24,831	24,498	24,498
Residences and catering operations	8,877	8,877	5,230	5,230
Research grants and contracts	7,891	7,891	7,573	7,573
Other expenditure	4,289	4,482	3,809	3,809
	165,255	165,448	151,461	151,638

Notes to the financial statements year ended 31 July 2019

9 Analysis of total expenditure by activity (cont.)

	2019 Consolidated £000	2019 University £000	2018 Consolidated £000	2018 University £000
Other operating expenses include:				
External auditors remuneration in respect of:				
Audit services	57	57	54	54
Non-audit services	5	5	3	3
Operating lease rentals:				
Land and buildings	1,639	1,639	1,109	1,109
Other	197	197	165	165

10 Taxation

Recognised in the statement of comprehensive income

Current tax

Current tax expense	6	-	2	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	6	-	2	-

Deferred tax

Origination and reversal of timing differences	(6)	-	(2)	-
Reduction in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	(6)	-	(2)	-

Total tax expense

	-	-	-	-
--	---	---	---	---

11 Intangible assets

Consolidated and University	Software £000
Cost	
At 1 August 2018	-
Transfer from fixed assets	3,467
Additions	802
At 31 July 2019	4,269
Amortisation	
At 1 August 2018	-
Transfer from fixed assets	(492)
Amortisation charge for the year	(85)
At 31 July 2019	(577)
Net book value	
At 31 July 2019	3,692
At 31 July 2018	-

Notes to the financial statements year ended 31 July 2019

12 Fixed assets	Assets in the course of construction	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings and equipment	Total
Consolidated and University	£000	£000	£000	£000	£000
Cost					
At 1 August 2018	7,956	275,032	13,124	23,232	319,344
Reclassification	-	(12,514)	12,514	-	-
Transfer to intangible assets	(2,380)	-	-	(1,087)	(3,467)
Additions	5,748	1,960	-	398	8,106
Written off	-	-	-	(3,989)	(3,989)
Transfers	(5,530)	3,367	-	2,163	-
As at 31 July 2019	5,794	267,845	25,638	20,717	319,994
Depreciation					
At 1 August 2018	-	18,603	4,619	12,147	35,369
Reclassification	-	(1,017)	1,017	-	-
Transfer to intangible assets	-	-	-	(492)	(492)
Charge for the year	-	5,122	1,436	3,119	9,677
Written off	-	(695)	-	(3,989)	(4,684)
At 31 July 2019	-	22,013	7,072	10,785	39,870
Net book value					
At 31 July 2019	5,794	245,832	18,566	9,932	280,124
At 31 July 2018	7,956	256,429	8,505	11,085	283,975

On adoption of FRS102, certain exemptions are permitted under the transitional rules set out in section 35 of the standard. The University has taken advantage of the exemption permitted under paragraph 35.10(c) of FRS102 and has measured certain tangible fixed assets at their fair value on the date of transition, and used that fair value as deemed cost. The revaluation was carried out by an independent firm of chartered surveyors. As permitted by FRS102, the University has not adopted a policy of revaluations in the future.

At 31 July 2019, freehold land and buildings included £18,401,000 (2018: £19,262,000) in respect of freehold land which is not depreciated.

The transfer to intangible assets is in relation to software development costs which have historically been included in fixtures and fittings. These have now been included in the transfers line of note 11.

13 Investment property

Consolidated and University	Investment Property
	£000
Fair value	
At 1 August 2018	1,810
Net gain recognised in Consolidated Statement of Comprehensive Income and Expenditure	7,071
As at 31 July 2019	8,881

Investment property is fair valued at each balance sheet date by an independent firm of chartered surveyors. The valuation is based on an existing use value (EUV) basis, with the market value considered to be equal to the EUV for all investment properties.

Notes to the financial statements

year ended 31 July 2019

14 Non-current investments

Consolidated

Other non-current investments
£000

At 1 August 2018 and 31 July 2019

40

University	Subsidiary companies £000	Investment in jointly controlled entity £000	Other non-current investments £000	Total £000
At 1 August 2018	-	-	40	40
Share of surplus in joint venture	-	18	-	18
At 31 July 2019	-	18	40	58

The University holds 100% of the ordinary share capital of UoL Services Limited, a company incorporated in England and Wales. The company was incorporated on 27 October 2017, with the nature of its business being the provision of non-academic professional service and support staff to the University of Lincoln.

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. UL Learning Resources Limited is a connected institution within the definition of paragraph 28 of Schedule 3 to the Charities Act 2011 and is therefore exempt from registration with the Charity Commission. Net assets of the charity at 31 July 2019 were £1 (31 July 2018: £1).

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, although the company has not traded during the year.

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 non-current investments consist of:	2019 Consolidated and University £000
CVCP Properties plc	30
Metnano Limited	10
	<u>40</u>

CVCP Properties plc is a company owned by Universities UK and its member institutions. Metnano Limited is a company invested in to exploit intellectual property with a commercial partner.

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

Notes to the financial statements

year ended 31 July 2019

15 Investment in jointly controlled entity

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 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 statement of comprehensive income and expenditure.

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

	2019 £000	2018 £000
Income and expenditure account		
Income	311	253
Operating profit/(loss)	18	(24)
Balance sheet		
Fixed assets	3,912	3,867
Current assets	239	193
	4,151	4,060
Creditors: amounts falling due within one year	(35)	(35)
Creditors: amounts falling due after more than one year	(4,098)	(4,025)
Share of net assets	18	-

16 Stock

	2019 Consolidated £000	2019 University £000	2018 Consolidated £000	2018 University £000
Goods for resale	20	20	7	7
Raw materials and consumables	68	68	71	71
	88	88	78	78

17 Trade and other receivables

Amounts falling due within one year:

Research grants receivable	2,262	2,262	1,905	1,905
Other trade receivables	7,085	7,085	5,952	5,952
Other receivables	1,050	1,121	884	884
Prepayments and accrued income	5,355	5,355	4,774	4,774
Amounts due from subsidiary companies	-	-	-	2
	15,752	15,823	13,515	13,517

Amounts falling due after more than one year:

Other receivables	1,434	1,434	1,672	1,671
Prepayments and accrued income	71	71	121	121
	17,257	17,328	15,308	15,309

Notes to the financial statements year ended 31 July 2019

18 Creditors: amounts falling due within one year	2019	2019	2018	2018
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Secured loans	2,130	2,130	2,024	2,024
Unsecured loans	2,187	2,187	1,098	1,098
Unamortised loan commitment liability	64	64	64	64
Trade payables	4,817	4,817	5,170	5,170
Other payables	3,381	3,197	3,100	3,088
Social security and other taxation payable	1,978	1,978	1,742	1,727
Accruals and deferred income	21,802	21,802	19,202	19,202
	<u>36,359</u>	<u>36,175</u>	<u>32,400</u>	<u>32,373</u>

The unamortised loan commitment liability represents the remaining element of the fair value of the derivative financial liability created when the University forward fixed the interest rate on certain of its borrowings with the European Investment Bank. The fair value of the liability was fixed at draw down and is amortised over the life of the related loan (note 19).

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

	2019	2019	2018	2018
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Research grants received on account	3,696	3,696	2,818	2,818
Grants	567	567	-	-
Donations	635	635	-	-
Other income	5,578	5,578	2,146	2,146
	<u>10,476</u>	<u>10,476</u>	<u>4,964</u>	<u>4,964</u>

19 Creditors: amounts falling due after more than one year

Secured loans	29,525	29,525	31,655	31,655
Unsecured loans	57,089	57,089	59,276	59,276
Unamortised loan commitment liability (note 18)	745	745	810	810
Accruals and deferred income	302	302	320	320
	<u>87,661</u>	<u>87,661</u>	<u>92,061</u>	<u>92,061</u>

Secured and unsecured loans are repayable as follows:

Due within one year on demand	4,317	4,317	3,122	3,122
Due between one and two years	4,708	4,708	4,317	4,317
Due between two and five years	14,090	14,090	14,648	14,648
Due in five years or more	67,816	67,816	71,966	71,966
	<u>90,931</u>	<u>90,931</u>	<u>94,053</u>	<u>94,053</u>
Due within one year or on demand	<u>(4,317)</u>	<u>(4,317)</u>	<u>(3,122)</u>	<u>(3,122)</u>
Due after more than one year	<u>86,614</u>	<u>86,614</u>	<u>90,931</u>	<u>90,931</u>

Notes to the financial statements year ended 31 July 2019

19 Creditors: amounts falling due after more than one year (cont.)

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

Lender	Amount £000	Term	Interest Rate %	Borrower
Dexia	3,697	2023	5.08	University
Dexia	3,705	2028	5.38	University
Santander	11,625	2035	5.00	University
Royal Bank of Scotland	21,398	2037	4.69	University
Royal Bank of Scotland	2,855	2037	3.40	University
European Investment Bank	19,651	2041	2.37	University
European Investment Bank	14,000	2042	2.45	University
European Investment Bank	14,000	2042	2.48	University
Total borrowings	<u>90,931</u>			

All borrowings are held at amortised cost.

20 Provisions for liabilities	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pension provisions £000	Onerous contracts and other £000	Total other £000
Consolidated and University					
As at 1 August 2018	1,786	11,567	13,353	240	240
Provided in year	-	-	-	2,400	2,400
Utilised in year	(87)	(5,478)	(5,565)	-	-
Net pension charge	2,870	7,102	9,972	-	-
Actuarial loss on ERPF	-	22,502	22,502	-	-
Unwinding of USS discount	39	-	39	-	-
As at 31 July 2019	<u>4,608</u>	<u>35,693</u>	<u>40,301</u>	<u>2,640</u>	<u>2,640</u>

Obligations to fund deficit on USS Pension

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision and have discounted the expected deficit recovery payments.

The provision is calculated based on the recovery plan agreed after the 2017 actuarial valuation of the scheme. The 2018 actuarial valuation of USS has been undertaken but this has not yet been formally completed. As such management consider it appropriate to continue to account for the past deficit obligation in accordance with the previously agreed recovery plan.

Defined benefit obligations

Defined benefit obligations are set out in further detail in note 27.

Onerous contracts and other

The onerous contracts and other matters provision relates to the estimated liabilities in respect of onerous contractual obligations arising from certain property transactions, which are due to be settled within one year from the balance sheet date.

Notes to the financial statements

year ended 31 July 2019

21 Financial Instruments

The carrying values of the Group and University's financial assets and liabilities are summarised by category below:

Financial Assets	Note	2019	2019	2018	2018
		Consolidated £000	University £000	Consolidated £000	University £000
Debt instruments measured at amortised cost					
Long-term loans receivable		1,697	1,697	1,736	1,736
Measured at undiscounted amount receivable					
Trade and other receivables		12,373	12,366	11,010	11,007
Equity instruments measured at cost less impairment					
Non-current asset investments in unlisted equity instruments	14	40	40	40	40
		<u>14,110</u>	<u>14,103</u>	<u>12,786</u>	<u>12,783</u>
Financial Liabilities					
Measured at fair value through income and expenditure					
Unamortised loan commitment liability	18,19	810	810	874	874
Measured at amortised cost					
Loans payable	18,19	90,931	90,931	94,053	94,053
Measured at undiscounted amount payable					
Trade and other creditors		21,804	21,620	21,317	21,286
		<u>113,545</u>	<u>113,361</u>	<u>116,244</u>	<u>116,213</u>
Interest income and expense					
Total interest income for financial assets at amortised cost	5	371	369	294	292
Total interest expense for financial assets at amortised cost	8	(3,304)	(3,304)	(3,441)	(3,441)
		<u>2,933</u>	<u>2,935</u>	<u>(3,147)</u>	<u>(3,149)</u>

Notes to the financial statements year ended 31 July 2019

22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Restricted expendable endowments £000	Total 2019 £000	Total 2018 £000
Balances at 1 August 2018					
Capital	-	-	362	362	378
Accumulated income	-	-	-	-	-
	-	-	362	362	378
New endowments	-	-	205	205	40
Expenditure	-	-	(119)	(119)	(56)
	-	-	86	86	(16)
Increase in market value of investments	-	-	-	-	-
At 31 July 2019	-	-	448	448	362
Represented by:					
Capital	-	-	448	448	362
Accumulated income	-	-	-	-	-
	-	-	448	448	362
Analysis by type of purpose:					
Scholarships and bursaries	-	-	71	71	55
General Academic	-	-	306	306	239
Research support	-	-	2	2	2
Prize funds	-	-	69	69	66
	-	-	448	448	362
Analysis by asset:					
Current and non-current asset investments	-	-	-	-	-
Cash and cash equivalents	-	-	448	448	362
	-	-	448	448	362

23 Cash and equivalents

Consolidated	At 1 August 2018 £000	Cash Flows £000	At 31 July 2019 £000
Cash and cash equivalents	29,318	5,151	34,469

24 Capital and other commitments

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

Consolidated and University	2019 £000	2018 £000
Commitments contracted for	2,317	4,512
Authorised but not contracted for	33,826	32,141
	36,143	36,653

Notes to the financial statements year ended 31 July 2019

25 Lease obligations

Total rentals payable under operating leases:

Consolidated and University	Land and Buildings £000	Other £000	Total 2019 £000	Total 2018 £000
Payable during the year	1,639	197	1,836	1,274
Future minimum lease payments due:				
Not later than 1 year	3,942	171	4,113	1,255
Later than 1 year and not later than 5 years	30,465	246	30,711	13,363
Later than 5 years	150,675	-	150,675	51,565
Total lease payments due	185,082	417	185,499	66,183

26 Post Balance Events

As set out in Note 27 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £1,879,000 in the provision for the obligation to fund the deficit on the USS pension which would instead be £2,729,000. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

27 Pension schemes

The University's employees belong to four pension schemes, East Riding Pension Fund (ERPF), Teachers' Pensions (TPS), the Universities Superannuation Scheme (USS) and the Universities and Colleges Retirement Savings Scheme (UCRSS). The total pension cost for the year was:

	2019 £000	2018 £000
ERPF including FRS102 adjustments	6,848	8,410
TPS contributions payable	5,689	5,220
USS contributions including provision movements	4,015	849
UCRSS contributions	260	8
NHS Contributions	4	-
	<u>16,816</u>	<u>14,487</u>

ERPF

The ERPF is a funded, defined benefit scheme, available to non-academic staff, with the assets held in separate trustee administered funds.

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.

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.

The total contribution made for the year ended 31 July 2019 was £6,754,000 of which employers' contribution totalled £5,338,000 and employees' contributions totalled £1,416,000. The employer's contribution rate was 25.3% throughout the year. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 12.5%.

Notes to the financial statements year ended 31 July 2019

27 Pension schemes (cont.)

The University also provides ex-gratia pension benefits to certain former employees who could not join the pension scheme at the time. Ex-gratia payments have ceased accruing for all such employees. The University paid ex-gratia pensions of £140,000 during the year end 31 July 2019 (2018: £136,000). These liabilities are not separately funded.

Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016, updated to 31 July 2019 on an FRS102 basis by a qualified independent actuary.

The financial assumptions used to calculate the scheme liabilities under FRS102 are:

	2019	2018
	%	%
Price Inflation (RPI)	3.1	3.1
Price Inflation (CPI)	2.1	2.1
Rate of increase of salaries	2.3	2.3
Rate of increase of pensions in payment for ERPF members	2.1	2.1
Discount rate	2.1	2.8

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65:

	2019	2018
<i>Current pensioners</i>		
Males	20.8	20.9
Females	23.3	23.6
<i>Future pensioners (currently aged 45)</i>		
Males	22.0	22.2
Females	24.9	25.3

Scheme assets

The fair value of the assets in the ERPF were:

	2019	2018	2017
	£000	£000	£000
Equities	112,042	103,598	96,835
Bonds	21,786	18,705	12,741
Property	17,118	17,266	14,016
Cash	4,668	4,317	3,822
Total fair value of assets	155,614	143,886	127,414

Notes to the financial statements

year ended 31 July 2019

27 Pension schemes (cont.)

The following amounts at 31 July 2019 were measured in accordance with the requirements of FRS102.

Analysis of the amount shown in the balance sheet for ERPF and ex-gratia pensions	2019	2018			
	£000	£000			
Scheme assets	155,614	143,886			
Scheme liabilities	(191,307)	(155,453)			
Deficit in the scheme – net pension liability recorded within pension provisions (Note 19)	<u>(35,693)</u>	<u>(11,567)</u>			
Analysis of the amount charged to staff costs within operating surplus					
Current service cost	6,249	8,410			
Past service cost	512	-			
	<u>6,761</u>	<u>8,410</u>			
Analysis of the amount charged to interest and other finance costs					
Interest income on plan assets	(4,076)	(3,489)			
Interest cost on defined benefit obligation	4,417	4,678			
Interest on net deficit	<u>341</u>	<u>1,189</u>			
Analysis of other comprehensive income for ERPF and ex-gratia pensions					
Remeasurements					
- Changes in demographic assumptions	2,245	6,583			
- Changes in financial assumptions	(28,846)	19,481			
- Other experience	36	(93)			
- Return on assets excluding amounts included in net interest	4,063	9,135			
Actuarial (loss)/gain	<u>(22,502)</u>	<u>35,106</u>			
History of experience gains and losses for ERPF and ex-gratia pensions					
Difference between the expected and actual return on assets:	2019	2018	2017	2016	2015
Amount (£000)	4,063	9,135	10,573	7,691	2,906
% of assets at end of year	2.6%	6.3%	8.3%	7.0%	3.1%
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	36	93	117	1,989	1,029
% of scheme liabilities at end of	0.02%	0.1%	0.1%	1.3%	0.8%
				2019	2018
				£000	£000
Cumulative actuarial (gains)/ loss recognised as other comprehensive income for ERPF and ex-gratia pensions					
Cumulative actuarial (gains)/losses recognised at the start of the year				(12,989)	22,117
Cumulative actuarial losses/(gains) recognised at the end of the year				<u>9,513</u>	<u>(12,989)</u>
Analysis of movement in deficit for ERPF and ex-gratia pensions:					
Deficit at beginning of year				(11,567)	(42,638)
Contributions or benefits paid by the University				5,478	5,564
Current service cost				(6,249)	(8,410)
Past service cost				(512)	-
Other finance charge				(341)	(1,189)
(Losses)/gains recognised in other comprehensive income				<u>(22,502)</u>	<u>35,106</u>
				<u>(35,693)</u>	<u>(11,567)</u>

Notes to the financial statements

year ended 31 July 2019

27 Pension schemes (cont.)

Analysis of movement in the present value of ERPF and ex-gratia liabilities	2019	2018
	£000	£000
Present value of ERPF and ex-gratia liabilities at the start of the year	155,453	170,052
Current service cost	6,249	8,410
Past service cost	512	-
Interest cost	4,417	4,678
Actual members contributions	1,416	1,451
Actuarial loss/(gain)	26,565	(25,971)
Actual benefit payments	(3,305)	(3,167)
Present value of ERPF and ex-gratia liabilities at the end of the year	<u>191,307</u>	<u>155,453</u>

Analysis of the movement in the fair value of scheme assets

Fair value of assets at start of the year	143,886	127,414
Expected return on assets	4,076	3,489
Actuarial gain on assets	4,063	9,135
Actual contributions paid by University	5,478	5,564
Actual member contributions	1,416	1,451
Actual benefit payments	(3,305)	(3,167)
Fair value of assets at end of the year	<u>155,614</u>	<u>143,886</u>

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

Actual return on scheme assets	2019	2018
	£000	£000
Expected return on scheme assets	4,076	3,489
Asset gain	4,063	9,135
	<u>8,139</u>	<u>12,624</u>

Estimated University contributions for ERPF for the year ended 31 July 2020 are £5,270,000.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2019:	Approximate increase to Defined Benefit Obligation	Approximate monetary amount
		£000
0.5% decrease in Real Discount Rate	12%	23,792
0.5% increase in Salary Increase Rate	2%	3,230
0.5% increase in the Pension Increase Rate	11%	20,210

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 16.48% (2018: 16.48%) of pensionable salaries. The employees' contribution rate is based on earnings per annum and ranges from 7.4% to 11.7%.

Notes to the financial statements

year ended 31 July 2019

27 Pension schemes (cont.)

USS

The total cost charged to the Consolidated Statement of Comprehensive Income and Expenditure is £4,015,000 (2018: £849,000).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension Increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and index linked yield curves, less 1.3% per annum
Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2017 valuation
	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	<u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% per annum for males and a 1.6% per annum for females

The current life expectancies on retirement at age 65 are:

	2019	2018
	Years	Years
Males currently aged 65	24.6	24.5
Females currently aged 65	26.1	26.0
Males currently aged 45	26.6	26.5
Females currently aged 45	27.9	27.8

Notes to the financial statements

year ended 31 July 2019

27 Pension schemes (cont.)

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Since year end following the completion of the 2017 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in 2017 valuation schedule of contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 October 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £2,179,000, a decrease of £1,879,000 from the current year end position.

UCRSS

The UCRSS is a defined contribution pension scheme, introduced for employees during the year ended 31 July 2019. Contributions payable are recognised in the Consolidated Statement of Comprehensive Income and Expenditure as they are payable each year. The total cost charged to the Consolidated Statement of Comprehensive Income and Expenditure is £260,000 (2018: £8,000).

The contribution rate payable by the employer is 7% to 10% (capped) of pensionable salary dependent on the employees' contribution. The employees' contribution rate is flexible from a minimum of 2% of pensionable salary to a maximum of 100% of pensionable salary.

NHS Pension Scheme

The Institution also participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

The NHS Pension Scheme is a defined benefit public service pension scheme, which operates on a pay-as-you-go basis. A new reformed scheme was introduced on 1 April 2015 that calculates pension benefits based on career average earnings. Transitional arrangements permit individuals who on 1 April 2012 were within ten years of normal pension age to continue participating in the old 'final salary' NHS Pension Scheme arrangements (the 1995 and 2008 sections).

The scheme is not designed to be run in a way that would enable members to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

An HM Treasury pension scheme valuation for funding purposes was carried out as at March 2012. The Scheme Regulations have been changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate. The contribution rate payable by the Institutions during the year ended 31 July 2019 was equal to 20.6% of the total pensionable salaries, in accordance with the conclusion of the Government Actuary's report on the scheme.

The governing body and officers 2018/19

The Governors who served in the period from 1 August 2018 were as follows:

Ms D Lees (Chair)
Professor K Armour (from 1 August 2019)
Professor S Bailey (until 31 July 2019)
Mr A Barratt (from 1 August 2018)
Ms C Coakley (Student Member from 25 July 2019)
Mr N Corner (Deputy Chair from 1 August 2019)
Sir G Davies
Ms M Dawes (from 1 August 2019)
Professor D French (Staff Member until 24 October 2019)
Ms D Gillhespy (until 31 July 2019)
Mr N Gray
Mr N Herbert
Ms M Jackson (until 31 July 2019)
Professor J Ker
Mrs Z King
Mr K Muzangaza (Student Member until 30 June 2019)
Mr J Raine CMG OBE (from 1 March 2019)
Ms J Reeves
Dr K Savage (Staff Member)
Professor M Stuart CBE (Vice Chancellor)
Mr R Whetton (until 31 January 2019)

Clerk to the Board of Governors: Mr P Walsh (until 7 March 2019), Mr C Spendlove (from 8 March 2019)

The officers (Senior Leadership Team) who served in the period from 1 August 2018 were as follows:

Professor M Stuart CBE	Vice Chancellor
Mr J Free CBE	Deputy Vice Chancellor
Professor A Hunter	Deputy Vice Chancellor
Professor E Mossop	Deputy Vice Chancellor
Mr S Parkes	Deputy Vice Chancellor
Professor T Wilkinson	Deputy Vice Chancellor
Professor M Cragoe	Pro Vice Chancellor
Professor D French	Pro Vice Chancellor (from 1 January 2019)
Professor E John	Pro Vice Chancellor
Professor C Marsh	Pro Vice Chancellor
Professor S Owen	Pro Vice Chancellor (until 31 August 2018)
Professor H Gross	Acting Head of College (from 1 August 2018, until 31 December 2018)
Mr D Braham	Chief Finance Officer
Ms A Dowdy	Director of Estates
Ms C Low	Director of Planning and Corporate Strategy
Ms R Simpson	Director of Human Resources
Mr C Spendlove	University Registrar

The University's principal advisors were:

Lloyds Bank plc	Bankers
BDO LLP	External Auditor
Pricewaterhouse Coopers LLP	Internal Auditor