



UNIVERSITY OF
LINCOLN

FINANCIAL STATEMENTS

31 JULY 2011

**UNIVERSITY OF LINCOLN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011**

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**UNIVERSITY OF LINCOLN
KEY FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 JULY 2011**

KEY FINANCIAL HIGHLIGHTS

	2011 £000	2010 £000
Total income	91,255	87,239
Surplus for the year	1,459	631
Net cash flow from operating activities	5,115	6,778
Capital expenditure	12,315	8,632
Cash and investments	12,464	15,578
Net (debt)/cash	(2,227)	10

**UNIVERSITY OF LINCOLN
BOARD OF GOVERNORS**

The Governors who served in the period from 1 August 2010 were as follows:

Mr G Secker (Chair)

Professor S Bailey (until 31 December 2010; and from 1 August 2011)

Mr H Biddle

Very Reverend P Buckler (until 1 June 2011)

Mr R Buttery (Deputy Chair)

Mr C Charnley (Student member) (until 30 June 2011)

Mr W Crone (until 31 July 2011)

Mr K Darwin OBE

Ms P Duncan (until 31 December 2010)

Mr S Galjaard (until 31 July 2011)

Ms D Gilhespy (from 1 August 2011)

Mr J Godfrey CBE (until 31 July 2011)

Ms M Jackson (from 1 August 2011)

Dr M Kierstan

Professor G Layer OBE

Mr N Muntz (until 31 December 2010)

Mr S Sargent (until 31 December 2010)

Mr A Sharif (Student member) (from 1 July 2011)

Ms M Sinclair (from 1 August 2011)

Dr J Slack (Staff member)

Professor M Stuart (Vice Chancellor)

Mr R Whetton (from 1 February 2011)

UNIVERSITY OF LINCOLN OFFICERS AND ADVISERS

The officers who served in the period from 1 August 2010 were as follows:

Senior Management Team

Vice Chancellor	Professor M Stuart
Senior Deputy Vice Chancellor	Professor A Atherton
Deputy Vice Chancellor	Professor S Davidson
Deputy Vice Chancellor	Dr F Mannsåker (until 31 August 2011)
Deputy Vice Chancellor	Professor I Owen (from 1 March 2011)
University Registrar	Mr C Spendlove
Finance Director	Ms J Jones (until 31 December 2010)
Chief Finance Officer	Ms D Harry (from 27 April 2011)
Director of Human Resources	Mrs J Billam
Director of Estates and Commercial Facilities	Mr J Plumridge

Clerk to the Board

Mr P Walsh

The University's principal advisers were as follows:

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

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

SECTION 1 – NATURE, OBJECTIVES AND STRATEGIES OF THE UNIVERSITY

Our Vision

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

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

Our Mission

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

Our strategic objectives

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

Our measures of success will be:

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

Where are we now?

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

The University has continued to make good progress over the last year towards achieving its vision. It has now reached a ranking of 55th out of 116 institutions in the Times Good University Guide. Over the last three years Lincoln has risen 48 places in the rankings.

In the National Student Survey, based on the average score of the 22 main questions across all subject areas, the University was placed 61st out of 152 Higher Education Institutions (HEIs). Once again, Accounting was ranked number one for student experience in 2011 – for the third successive year.

The University has set out a new College structure to be introduced from September 2011. Embracing all Faculties and schools, the three Colleges (Arts, Social Science and Science) will aim to improve inter-disciplinary working on research and teaching, whilst also encouraging improved communication and decision-making within the senior management structure.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Investment in facilities and infrastructure has continued over the last year. The new Faculty of Business & Law building opened as planned in January 2011, and now houses Lincolnshire's Leadership and Management Centre, which provides facilities for regional businesses and employers. The new £7m Engineering School building was completed ready for operation from August 2011. The design process is under way for our new Art and Design Building, due to be completed in 2013. The completion of this building will mark a significant step in the consolidation of the University's activities into the Brayford Campus.

Competition

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

Over the next few years, there is an expectation that the competitor 'set' will change as our average entry points continue to increase, research output and record is enhanced and student satisfaction scores increase. Such developments will bring competition from institutions that are research-active in many of their areas of distinctiveness and that attract some of the brightest students in Higher Education.

Policy and Government

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

Two key focuses of the University will be: diversifying income streams in the light of student number limits and funding cuts, and; reviewing the proportions of student numbers across different subject areas.

Engagement with Businesses, Research & Contribution to the Local Economy

The University has been integrally involved in its local community and economy since its establishment in Lincoln in 1996. As a result of our participation in a HEFCE pilot project examining the public benefits of higher education, we published 'Community Engagement – Impact of the University of Lincoln'. In this report, circulated to all our stakeholders, we demonstrated the clear benefits to the local economy and intend to foster further debate about how this can be enhanced in future years. With an estimated impact on the local economy of circa £200m, and attributed with the creation of more than 3,000 new jobs within the city itself, there is now strong supporting evidence that the University plays a key role in our local economy.

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

In 2010-11 we continued to build upon our engagement with strategic business partners, looking to develop wider and deeper relationships of the type we have with Siemens Industrial Turbomachinery Ltd. This partnership is based on a long-term agreement to cooperate on industry relevant research and development, graduate education and continued professional development (CPD) for the Siemens workforce and engineering supply chain. It is housed in a recently completed, iconic, £7m new build, funded by the University, Siemens, the European Regional Development Fund and county funding. In addition to co-locating its training centre in the new building, Siemens will relocate experimental gas turbine facilities to the School and is working to develop fundamental and applied research programmes with the University. These programmes will not only involve research staff, but also students, producing graduates with practical and useable skills and knowledge for the industrial power, energy and associated sectors.

Completed during 2010-11, Lincolnshire's Leadership & Management Centre has opened within the new Faculty of Business & Law building. This provides the facilities required to significantly grow the Faculty's CPD offer to strategic employers, providing a resource to enhance productivity and performance in businesses locally and further afield.

The Enterprise@Lincoln centre continues to grow successfully and provides dedicated space on the campus for staff, students and employers to mix. The centre builds on the success of our nationally award winning incubation centre, Sparkhouse, by providing a physical focus for enterprise activity across the institution, a gateway for

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

employers into the University and a resource for use by all. The space for rent to commercial clients is already 100% occupied and the shared facilities heavily utilised by staff, students, graduates and growing businesses.

We continue to dedicate the majority of our Higher Education Innovation Fund grant (72% in 2010-11) directly to support the faculties. A Business Development Manager (BDM) and Employer Engagement Manager (EEM) have operated within every faculty. This is supported through a series of accessible non-pay funds.

We have built on traditional mechanisms, for example Knowledge Transfer Partnerships, and developed greater opportunities to work with business through a range of innovative programmes and projects. During a period of rapid economic change we have operated the highly successful 'Robust Futures' programme supporting owner-managers in Lincolnshire to plan to secure a strong future. This has proved of such high value to participants that the Lincoln Business School is currently working to embed this within the wider community. It has:

- Provided immediate practical operational support to recipients;
- Worked with them to increase their understanding of the trends that will impact on their core business;
- Created a unique form of real time research for public authorities and the voluntary sector that generates insight into local conditions and inform policy.

Engagement with the community

We continue to foster close relationships with both individuals and organisations in our local community.

This year has marked the 9th season of the Lincoln Academy, our umbrella series of high-quality events open to the public. The Engine Shed continues to operate as the largest live music venue in the sub-region, and The Lincoln Performing Arts Centre (LPAC) hosted a wide variety of performing arts including drama, comedy, ballet, contemporary dance and classical music. Over 150,000 members of the public attended one of these cultural performances through the Lincoln Academy, LPAC or the Engine Shed.

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

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

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

Health and Social Care

The Department of Sport, Coaching and Exercise Science moved into an extended and purpose built Human Performance Centre in September 2010. This beautifully designed and well equipped new facility was made possible by £1.9m of government funding. The Department of Sport, Coaching and Exercise Science will be focusing on the promotion of community partnership facility training opportunities in sport and physical activity and encouraging community engagement on a well-being agenda. Current and prospective students are very impressed with the new facilities. They also provide an ideal environment for the staff to develop and deliver quality educational programmes and to further develop their research profile.

Our health and social care portfolio both generates and supports practitioners in Lincolnshire and beyond, and the University works closely with a range of organisations from local NHS Trusts to voluntary agencies. These local partnerships have formed a base for high quality research conducted by University staff on such subjects as mental health and homelessness. An example of this work was a partnership with the Lincolnshire Partnership NHS Foundation Trust which saw the organisations working together to improve mental health care through applied clinical research, strategic development, education and training. Key successes were finding new ways of treating insomnia without using drugs and investigating ways to assess mental illness with the probation services.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

The University's portfolio of courses in health and social care includes: undergraduate programmes in nursing, social work, herbal medicine and acupuncture; the postgraduate clinical psychology programme with the University of Nottingham; and the successful Certificate in Health Sciences course also in partnership with the University of Nottingham. This latter course provides a platform for local socially disadvantaged students to enter undergraduate health care programmes, including medicine, physiotherapy and nursing. It also delivers a range of Learning beyond Registration short courses including non-medical prescribing, history taking, diabetes, mental health and critical care.

The University is integrated into the East Midlands' health and social care networks, with engagement with the East Midlands University Association Health and Social Care Research and Task Groups and associated regional involvement with initiatives including the East Midlands Public Health Observatory and the Government Office of the East Midlands' Investment for Health scheme.

The University has recently decided to close the Hull campus in 2013 and to develop innovative ways of delivering social work and social care programmes to people in Hull and the East Riding in the future. By adopting a more flexible approach to learning we will be working with employers to deliver the training that their staff need in their locality and to provide opportunities for local people to access high quality training. With a strong range of part-time, employment based undergraduate and postgraduate provision in social work and social care we will be able to offer more opportunities to study for many who might not be able to undertake full-time study.

Demand for Higher Education

There continues to be increasing demand for undergraduate student places despite the demographic decline in the number of 18-20 year olds in the UK. The government response to the increased demand for places has been to place a strict cap on the number of student numbers within the sector.

The University has seen total applications increase by 23% over the last two years, evidencing the increasing popularity of the institution, with undergraduate applications increasing by 16% and postgraduate and international applications by 107% and 109% respectively.

The effect of increased demand for undergraduate places, coupled to the limiting of supply, has been to drive up the University of Lincoln's entry tariffs at both institutional and school level.

The lifting of the fees cap to £9,000, with the intention of creating a more competitive market, alongside the significant cuts to HE sector funding, has created a situation of considerable uncertainty within the sector. The Government has also indicated that it will make it easier for the private sector to enter the higher education market, thus extending the range of potential competitors. The University needs to position itself to take advantage of any changes, through ensuring that its curriculum is balanced and distinctive. Distinctiveness will be developed at Lincoln through the 'Student as Producer' project which aims to make research engaged teaching and learning the organising educational principle for this institution. In order to ensure that the University's portfolio of academic programmes is fit for purpose and fit for market, a number of portfolio reviews are currently in progress. Foremost among these is a review of STEM (science, technology, engineering and mathematics) subjects which is aimed at determining how provision can be enhanced in these areas to meet developing demand.

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

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

In order to position the University in a period of great uncertainty, our aim is to focus on creating high levels of student satisfaction in all facets of student engagement with the University, from the point of first contact to graduation and beyond. This requires a whole of institution response involving academic and professional support staff, as well as the Student Union. The enhancement of teaching and learning will be a key component of this strategy, through the progressive implementation of the research engaged teaching agenda. It is also the aim of the University to increase postgraduate numbers and to enhance the postgraduate experience, through strong faculty support and a welcoming and supportive Graduate School that is designed to meet students' needs. We will also be seeking to increase international student numbers, while at the same time ensuring them the support that they require to prosper both academically and socially.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Financial Management and Sustainability

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

The impact of the Comprehensive Spending Review and the proposals of the White Paper will have a significant effect on the finances of every university. The reliance on HEFCE controlled income at the University of Lincoln means that to ensure our financial sustainability, we will need to grow and diversify our other income streams, and plan and control the cost base.

We need to do this whilst growing our reputation, continuing to build on our successes and ensuring that we continue to invest in our strategic objectives. The key objectives of the financial strategy are to ensure the University:

- Remains financially viable and sustainable;
- Maximises the use of available resources to meet current and strategic objectives;
- Has appropriate levels of financing for development and investment; and
- Evaluates strategic objectives and minimises risks.

Income Generation and Diversification

Our external income from research, educational contracts and consultancy activity experienced growth on 2009-10 income. During a difficult economic period, contribution levels during 2010-11 were only just below target, suggesting that our continuing efforts to improve our pricing strategy are having an impact.

Lincoln continues to be a leader in the sector for the provision of Knowledge Transfer Partnerships (KTPs). These projects provide a significant form of income and an established mechanism for developing strong research relationships with business, public and third sectors. Despite national restrictions around the funding of KTPs we have increased our 2009-10 levels with 15 (+1) active projects during 2010-11. Responding to the national funding restrictions we have developed our own 'Lincoln KTP' model and are currently testing this with potential customers.

We remain dependent on public sector customers, a number of high-value contracts and a limited number of employees active in this agenda. During 2010-11 we have begun to put in place the building blocks to establish an enterprise culture amongst all our staff, through: the development of an effective incentivisation policy, alternative academic career progression routes, a framework to support the development of enterprising staff and clearer statements of our expectations.

The level of our employer engagement continues to grow with our faculty Business Development Managers and Employer Engagement Managers, working with our central team, generating over 500 new contacts with SMEs and large organisations. We continue to establish a cross-University customer relationship management system, adding an additional 641 records during 2010-11.

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

- DeCipher Pte – licensing new technology and funding a PhD;
- Coca Cola and Matalan – confirmed to attend our Careers & Employability Fair;
- Nacro Lincolnshire – engaged with our Employer Mentoring Programme; and
- Napier Turbochargers – starting a new Knowledge Transfer Partnership.

The University continues to employ a dedicated Intellectual Property & Academic Enterprise Manager. This position provides direct, additional, support to maximise advantage to be gained from our strengthening research output. We have concluded our first two technology licensing deals and have a growing pipeline of future potential. We have secured full access to the regional HE investment fund, Lachesis, at no cost to the institution. We continue to play an active part in the regional proof of concept fund and are exploring the potential to bring greater investment capital into Lincolnshire.

Whilst our external income generation position was improved on 2009-10, we are not complacent. We have developed and approved three year external income generation plans by the faculties. This has been a key aspect of our development activity during the year to ensure we are best placed to deliver against our aspirations.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Risk Management

The University has a systematic method of assessing and managing risks to its effective operation and development. During the academic year, these processes have been further reviewed and developed to refine and improve existing systems with endorsement by the University's internal auditors. This has included the development of a clear institutional risk strategy and a new revised risk scoring methodology.

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

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

Members of the Senior Management Team provide regular briefings to the Audit Committee, allowing Governors to monitor the assessment, mitigation and response to institutional risk.

The academic year 2010-11 also saw the University achieve BS25999 for its business continuity framework.

Environmental Matters

Environmental and Sustainability Policies

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

Energy & Carbon Emissions

- A new Carbon Management Plan was approved for the University. The document sets out how the organisation will aim to achieve the HEFCE carbon emission reduction targets of 43% by 2020 (against 2005/06 emissions levels).
- A new Carbon Reduction Manager was appointed for the University. The aim of this role is to reduce energy consumption per unit area year on year and to help meet the carbon reduction targets.
- New energy saving projects were developed using the £125,000 Revolving Green Fund from Salix Finance. Projects this year included improved plant room insulation, energy efficient hand driers and LED lighting. The Fund should deliver ongoing savings to the University.
- The second phase of registration for the Carbon Reduction Commitment (CRC) has now been completed. The Government changed the way the scheme operates and the funds will not be returned to the participants making the scheme effectively an energy tax. The estimated annual cost to the University is £110,000 per annum.

Environmental Benchmarking

- In the People & Planet Green League the University of Lincoln was ranked in 47th place from 142 participants. In 2008 the organisation finished 102nd in the League.
- The Universities That Count scheme has been completely reassessed and will now be known as "Learning in Future Environments". The scheme re-launches in November 2011 and the University intends to take part.

Sustainable Transport

- A staff and student Travel Survey was undertaken in May 2011. The results showed that 50% of staff travel to the Brayford Campus by single occupancy car journeys. This is a low level in comparison with other organisations and reflects the accessibility of the site by foot and public transport.
- The first year of the CyLin student bike hire scheme was successful. The scheme allows students to hire a bike for a term or the full academic year. The project has been funded by Sustrans, who have also provided maintenance for the cycles.
- To meet planning regulations, the University will require a transport assessment for the Brayford Campus if any further development works are undertaken. A transport consultancy has been appointed to produce a transport assessment and travel plan for the Brayford Campus.

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Sustainable Buildings

- The new Engineering Building has been assessed against the BREEAM standard. The Design Stage BREEAM rating for the building was "excellent". The building will now be assessed at the post construction phase to confirm the rating.

SECTION 2 – ACADEMIC REVIEW

Students

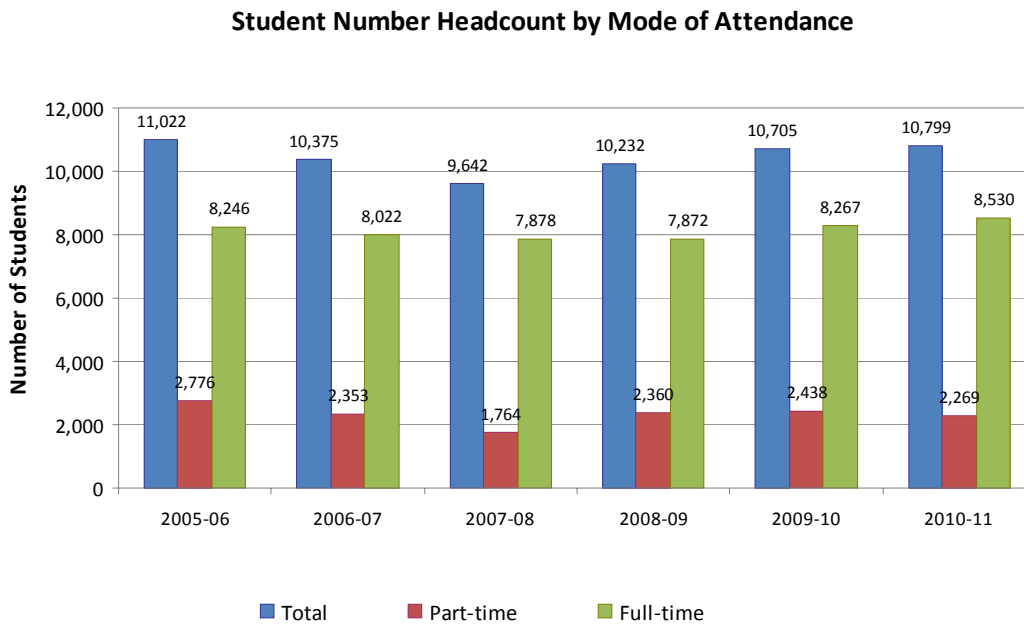
The University continues to identify student numbers as one of the key risks it faces – and therefore great efforts continue to be made to meet recruitment targets and improve retention rates, in an increasingly competitive market place with an impending demographic downturn of 18-20 year olds.

Nonetheless, the University is achieving its aim of driving up the entry points for admission as it seeks to increase the quality of the institution with the average entry score for 2010-11 being 318 tariff points.

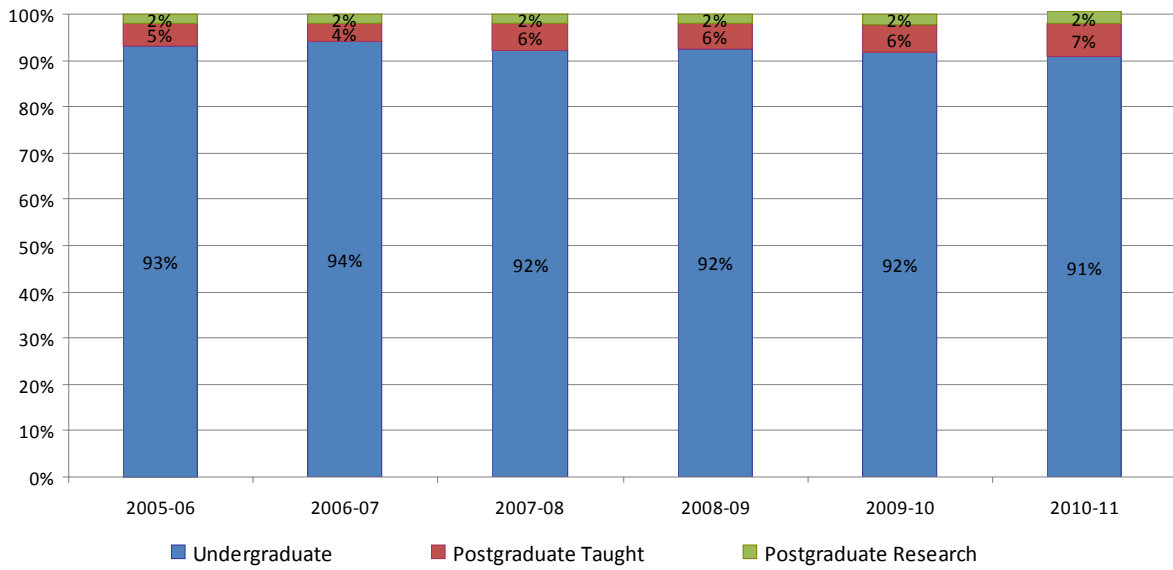
In respect of the National student satisfaction survey, the average score of the 22 main questions, across all subject areas, saw the University placed 61st out of 152 Higher Education Institutions (HEIs), placing it in the top 41 per cent.

Accounting was ranked number one for student experience for the third successive year in 2011. The University also ranked in the top 10% of all HEIs in a number of other subject areas: Marketing second out of 60 institutions, Tourism fifth out of 53, and Complementary Medicine ranked second out of 20.

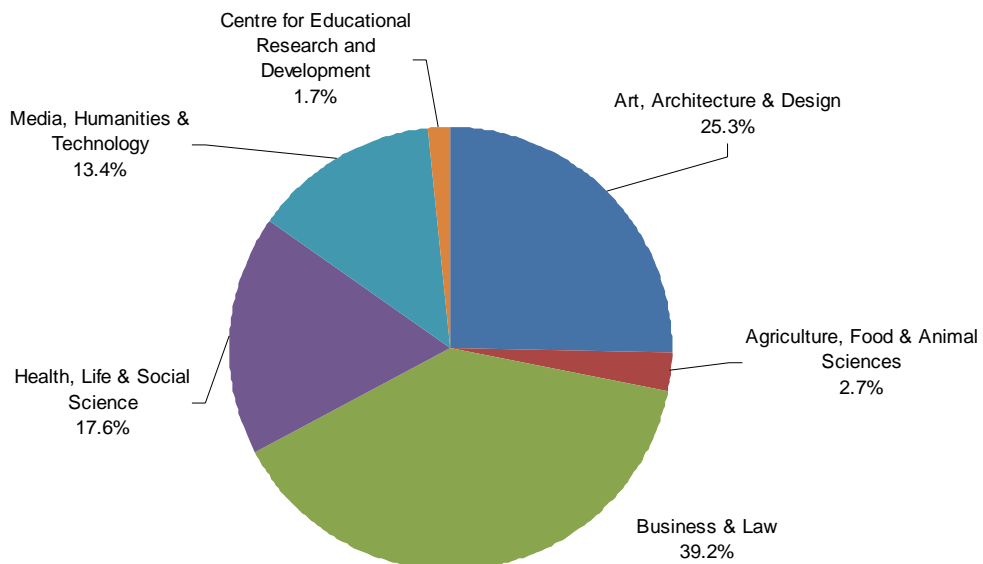
The profile of the student population is shown in the graphs below:



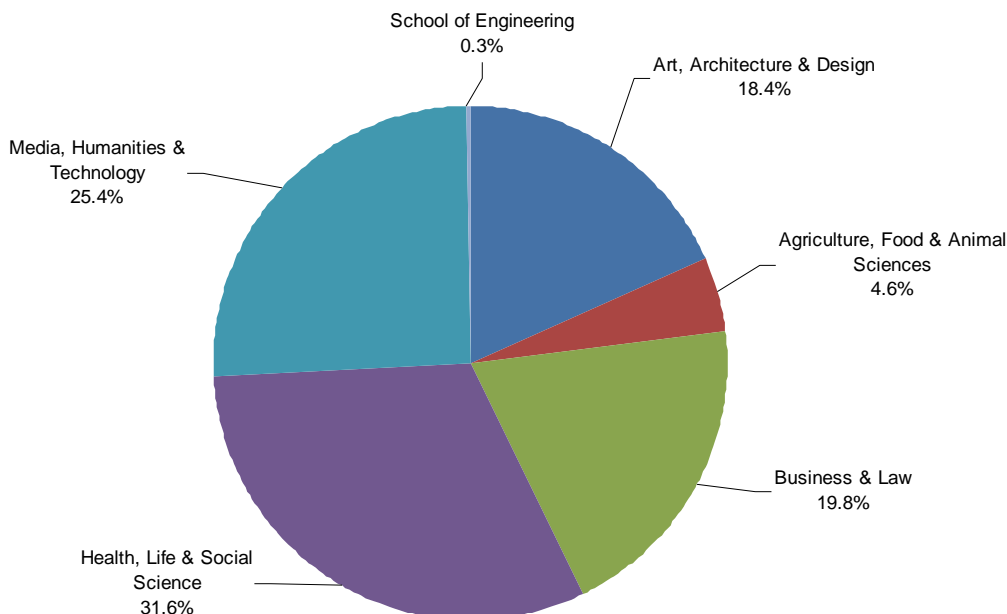
Distribution of Undergraduate, Postgraduate Taught and Postgraduate Research Students (Total FTEs)



Percentage of Postgraduate Students by Faculty as at 31 July 2011 (Total FTE)



**Percentage of Undergraduate Students by Faculty
as at 31 July 2011 (Total FTE)**



Academic portfolio and teaching and learning strategy

The University reviews its academic portfolio annually to ensure that it is fit for purpose and fit for market. This work is undertaken by the Executive Board's Portfolio, Recruitment and Educational Partnerships Committee (PREP). The data used to inform planning decisions is provided by the University's Department of Planning and Business Intelligence.

The University's Teaching and Learning Strategy 2007-2012 has been superseded by the Student as Producer project which has been adopted as the organising principle and main vehicle for the delivery of teaching and learning within the University. It will be implemented across the University by the end of 2013. The Student as Producer project represents a conscious decision by the University to transform its policy of research-informed teaching into research-engaged teaching. Research-engaged teaching involves the introduction and development of the core of the undergraduate curriculum to accommodate more research and research-like activity. In this way students become part of the academic project of the University and collaborators with academics in the production of knowledge and meaning. The Student as Producer project is being funded by the Higher Education Academy, and the University of Lincoln is leading a number of UK and international universities in developing research-engaged teaching as an innovative pedagogical mode.

Quality and Standards

During the academic year 2010-11 the University has built further on its quality assurance systems to embed enhancement alongside assurance, and to increase student engagement with the management of quality as part of a high quality student experience.

The Quality Assurance Agency (QAA) Mid Cycle Review was successfully conducted during April 2011, to complete the Institutional Audit Cycle. The QAA have confirmed that no issues have been raised, and a range of features of good practice have been identified.

The QAA have visited a number of the University's partner colleges during 2010-11 as part of the IQER (Integrated Quality Enhancement Review) process. The University's partner college Developmental Engagements have all had successful outcomes, and all Summative Reviews of partner colleges resulted in judgements of "Confidence" for both academic standards and quality of learning opportunities.

Strong links have been established between the University's Office of Quality, Standards and Partnerships and the Students' Union, with student representatives becoming increasingly engaged in the management of quality

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

assurance and enhancement. During 2010-11, the pilot of student members on review panels was successful, and students will become full members of review panels during 2011-12. A key theme around student engagement is the Student as Producer project.

Research

The University received £2m in Quality-Related (QR) funding in 2009-10, and has continued to invest in strengthening its research base – for example through additional academic staff, postgraduate studentships and projects. The investments are monitored centrally through the Research Innovation and Enterprise Committee.

External research income grew by 67% to £3m in 2010-11, and continued growth is planned over the next few years.

Enterprise

The enterprise agenda offers a means of engaging and working in new ways with organisations outside the institution and our own students and graduates. It supports and drives crucial income generating activity. It is about how we engage with and benefit our community, how we enhance the future careers of our students and how we support our staff to develop new ideas and test them out in practice, informing their teaching and research.

The Academic Year 2010-11 has witnessed a continued increase in both the level and impact of enterprise activity across the institution, as the new structures that we have developed over the past two years begin to deliver. However, this remains just the beginning of the challenge, with much more yet to achieve.

Careers & Employability

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

The recent economic climate has provided challenging employment conditions for all new graduates. In spite of this, and reflecting the high priority Lincoln places on supporting our graduates after they have finished their studies, we have seen significant improvement for our leavers. The Destination of Leavers from Higher Education (DLHE) survey results show 93% (up from 85%) of our 2009-10 students were in employment within 6 months of completing their course and 67% (up from 56%) had secured graduate-level positions. Lincoln is now above the sector average for both these measures. We have continued to invest in this critical area to increase the level of support and opportunities for our students and graduates.

During 2010-11 we built on and enhanced existing activity, including;

- Establishing, in partnership with the Students' Union, the Student Job Shop. This continues to provide opportunities for part-time employment as well as work placements to students during their studies. We secured more than 13,000 (up 68%) paid, part-time, employment opportunities for our students. The Job Shop website has received 223,665 hits (up 41%) during this second year of operation;
- Working with employers to organise activities throughout the year, including: Enterprise & Employability Week, employer presentations, workshops and mentoring schemes in addition to sourcing and promoting 1,649 graduate positions;
- Providing tailored employability support directly to 2,288 of our students, with our Enterprise@Lincoln building providing an important physical focus for activities;
- Delivering, in partnership with other East Midlands HEIs and directly ourselves, a graduate internship scheme which has helped to provide over 130 paid internship positions for our students and graduates;
- Developing long-term relationships with major employers (e.g. Siemens, BBC, Coca Cola and Matalan);
- Delivering the 'Lincoln Award', an achievement award designed to enhance employability by providing recognition of extra curricular activities;
- Providing dedicated support to our students interested in starting their own business or becoming self-employed. We have continued to operate a bursary scheme to support students exploring this route (29 awards) and supported the creation of 41 new graduate businesses.

SECTION 3 – STAFF

The University recognises that the development and performance of its staff is a critical part of delivering the strategic objectives and enhancing the organisation. The current strategy sets out our HR related objectives until 2012 and over the next year we will create our next 'People Strategy'.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Our annual review of progress in delivering the HR strategy demonstrates that in 2010-11 we delivered a number of important projects including:

- Delivered executive coaching for all members of the Executive Board;
- Led a working group to create a framework for continuous professional and personal development which will support the develop of all staff across the University;
- Launched new Disciplinary and Grievance policies which have streamlined processes and reduced bureaucracy;
- Introduced an on line wellbeing system for both staff and students;
- Retendering two significant contracts for our temporary staff agency and our flexible benefits provider which delivered a significant saving;
- Offered a voluntary severance scheme for academic staff; and
- Developed a Respect Charter which will be launched across the University in autumn 2011.

The University achieved external recognition for its progress in the areas of reward and benefits and wellbeing being shortlisted for a number of national awards and winning two awards for best benefits strategy for working families and public sector benefits provider of the year.

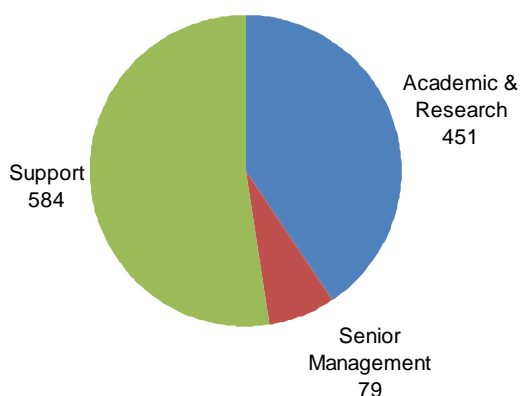
A continuing focus for the function has been creating further improvements to our HR systems to reduce bureaucracy and enhance management information. We conducted a tender process for both e-expenses and e-recruitment and both systems are planned for implementation in 2011 and are part of the University's invest to sustain agenda.

Working through the results of the previous years staff survey we took action to improve the employee experience by reviewing and extending our provision of internal training and development courses, developing internal mentoring and coaching and increasing the levels of financial support for training within departments. We also worked in partnership with other areas to improve how we supported staff through periods of major change and made further improvements to internal communication channels. We have commenced work on delivering or next staff survey which will be launched in November 2011.

The University conducted its fourth Equal Pay Review which provided a full comparison of all grades within the institution. The key highlights are that the overall gender pay gap is better than the sector average.

Our current staffing profile by employee group as at 31 July 2011 is set out below:

FTE by Employee Group as at 31 July 2011



SECTION 4 – PHYSICAL INFRASTRUCTURE AND CAPITAL EXPENDITURE

Estates Strategy 2009-14

The revised strategy was adopted by the Board of Governors in February 2010.

The strategy sets out the University's investment priorities over the 2009-14 period. The strategy also sets key targets in terms of space efficiency improvements and carbon reduction and links with Institutional ICT investment planning.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Progress made during the financial year includes:

- Completion of the first draft Brayford Masterplan and Brayford Development framework;
- Completion of a thorough re-measurement of the estate, and the University's first round of space utilisation surveys and analytical work;
- Completion of a thorough independent condition and compliance survey of the University freehold courts residential accommodation that is subject to a 125 year lease to an external company;
- Acquisition of the Marina moorings and Waterside development site;
- Completion of the Brayford Masterplan;
- Completion of the Engineering Hub;
- Completion of key capital works.

Major projects progressed and completed in 2010-11 included:

- Conversion of the former Lincolnshire Echo building on Brayford Wharf East to provide a centralised facility for the Business & Law Faculty and accommodation for the Lincolnshire Leadership & Management Centre;
- Completion of the new Engineering Hub;
- Commencement of the design of the new Art and Design building and associated landscaping works;
- Asbestos management surveys and remedial works.

In addition to the above, many smaller projects were initiated and completed which either;

- Facilitated substantial improvements to academic environments;
- Improved the Health and Safety within the Estate;
- Reduced energy consumption and the University's footprint;
- Improved reliability and resilience;
- Improve the working environment for staff and students within the University's buildings, and significantly improved facilities.

SECTION 5 – RESULTS FOR THE YEAR AND FUTURE DEVELOPMENTS

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its trading subsidiary undertakings.

Review of the year

The consolidated results for the year are summarised in the financial highlights (see page 1). Total income for the year increased by £4.0m to £91.3m and the result for the year was a surplus on continuing operations of £1.5m, compared to £0.6m in 2010. The surplus for the year is stated after charging restructuring costs of £1.7m (2010: £0.8m), the exceptional diminution in value of tangible fixed assets of £0.6m (2010: £1.4m) and dilapidations of £0.7m (2010: £nil). The underlying surplus for the year excluding these items was £4.5m (2010: £2.8m)

The University has restructured its operations to ensure that its long term financial position is maintained in the climate of:

- HEFCE funding cuts
- student number caps
- the introduction of full fees
- the general economic downturn and potential impact on external income generation
- uncertainty and increasing competition regarding student recruitment.

Balance sheet

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

The pension liability with East Riding Pension Fund has decreased by £9.2m to £24.2m, which is due to increased actuarial valuation of the scheme assets of £3.8m and a reduction in the scheme liabilities of £6.3m. This is offset by £0.9m, being the excess of the current year I&E charge over the University contributions to the scheme (see note 31).

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

The Teachers Pension Scheme and Universities Superannuation Scheme are not provided in the University's balance sheet, as both schemes' assets cannot be hypothecated to individual institutions.

Cash flow

The Consolidated Cash Flow statement shows that there was a net inflow from operating activities of £5.1m (2010: net inflow of £6.8m).

At 31 July 2011, the University had bank borrowings of £15.0m offset by cash and short term deposits of £12.5m (2010: bank borrowings of £16.0m offset by cash and short term deposits of £15.9m).

The University's cash flow reflects a good rate of cash generation, which was reinvested in capital expenditure in the year.

A further loan facility of £15m, at a rate linked to LIBOR, for current and future capital investments is in place and is expected to be fully drawn down by July 2013. This facility is a revolving credit facility with capital repayments expected to commence in January 2015.

Capital expenditure, including new buildings, totalled £12.1m (2010: £12.1m) and represents a further significant investment in the physical resources of the University.

Treasury management and financial instruments

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

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

During the year, the University arranged a forward hedge which fixes interest rates from 2012 on its Dexia loan (note 19). The rest of the University's debt is currently on floating interest rates, taking advantage of historically low rates of interest. However, it is the University's policy to regularly review the future interest rate expectations with a view to fixing a proportion of the debt.

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

Future Developments

The University, like most higher education institutions, is reviewing how it operates its business in response to the challenges faced with cuts in government funding. The results for the year include provision for the closure costs of the Hull campus, which was agreed last year, and it is expected that the building will be disposed of in the coming year.

The Government's proposed reductions in student number caps will force changes in the University's size and portfolio. The University will manage these changes to enhance its mission and performance.

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

These plans consider the following issues:

- The introduction of full fees and the impact on student demand
- The student recruitment caps imposed by Government
- The impact of annual staff pay reviews
- The impact of changing interest rates on loan financing charges
- Increased utility charges, particularly as fixed price deals come to an end
- Increasing employer contributions to pension schemes
- Availability of investment for capital projects and developing strategies.

Going concern and liquidity

The University ended the year with cash resources (including endowment assets) of £12.8m and bank loans and overdrafts of £15.0m, leaving net debt standing at £2.2m. All of the University's external funding is long-term in nature with 95.3% repayable beyond a year and 76.6% repayable beyond 5 years. All bank loan covenants are expected to remain compliant in future years.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

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

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

SECTION 6 – PUBLIC BENEFIT – THE UNIVERSITY AS A CHARITY

'Universities are putting their best efforts into stimulating economic growth and contributing to public services and society, in challenging global conditions' – comment by the Higher Education Funding Council for England (HEFCE) on the tenth annual Higher Education – Business and Community Interaction survey (September 2011). Sir Alan Langlands, HEFCE Chief Executive, said: "In a challenging economic environment, this report shows that universities are working hard to help across the economy and society."

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

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

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

Charitable status and delivery of charitable objectives

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

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

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

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

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

In the Faculty of Business and Law, educational provision in Business subjects takes the form of degree courses that are open to all suitable applicants, and also bespoke degree courses offered to specific client organizations for the benefit of their employees. Examples of the latter include courses offered to a major glass manufacturer (an in-house MBA), the NHS (an MSc in Commissioning) and the Armed Forces (Foundation Degree in Engineering Management; BSc in Engineering Management; BSc in Logistics Management; MSc in Logistics Management). The degree courses offered on the open market are for the most part professionally accredited, which adds value to the degrees in question and thereby enhances the employability of the graduates. In the case of the Chartered Management Institute, the first undergraduate student chapter of the CMI in the UK was established at the University of Lincoln, and the experience of running this has contributed immeasurably to the experience of the students involved, to their performance, and to their employability. Undergraduate teaching and learning in Law is highly vocational in character, and value is added by practical dimensions such as the Law Clinic that is offered by students working under academic staff supervision. Students gain valuable experience also by visiting specific groups in the community to explain and discuss complex legal issues. This initiative, which is called Street Law, is aimed at honing students' communication skills. In the fields of both Business and Law, the University offers research and consultancy services in range of specialisms representing areas of particular expertise such as regional development, entrepreneurship, the voluntary sector, company and organizational performance enhancement, leadership and management, dispute resolution, EU law, human rights, and animal rights. Through the newly established Lincolnshire Leadership and Management Centre, the Faculty contributes to the enhanced productivity of businesses and other key organizations in Lincolnshire and Rutland and seeks to enhance the vitality and innovativeness of the sub-regional economy by serving as a credible and valuable provider of higher level education, skills development and training that has a strong regional and national profile.

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

Architectural conservation & restoration has involved a number of high profile national buildings. Faculty academics and consultants in plastic surgery from major UK hospitals are working alongside each other to develop drawing and modeling skills to improve the experience of patients who undergo facial or breast reconstructive surgery by instilling in surgeons the same aesthetic principles which underpin artists' understanding of the form of the human body.

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

The Faculty of Media, Humanities and Technology offers a wide range of academic programmes that draw from and contribute to society. The work of the members of academic staff takes many forms from internationally-renowned traditional research projects through to public forms of media including television and radio production. The Faculty has developed a national reputation in the production of media for public appreciation and students in the School of Media have won Royal Television Society Awards variously at Midlands Region and national levels in 2005, 2007, 2008, 2009 and 2010. The School of Performing Arts is funded by the University of Lincoln as a premier venue for the region and produces public works from both the amateur and professional sectors. The Faculty is also home to Siren FM, England's first 24-7 community radio station, licensed by OFCOM. Serving both the greater Lincoln area and also globally by internet streaming, Siren now also provides content for a European Community Radio network to an audience of 2m listeners. The Schools of Journalism and Media regularly make media product for charitable bodies at low or no-cost, for example supporting Westgate School, Yarborough School, the Fire Service, Lincoln City Football Club, charities, etc, and supporting an array of community and social initiatives run by council departments. The School of Journalism conduct an annual Schools Newspaper Project where Lincolnshire schools benefit from Faculty and industry experts visiting to help groups of schoolchildren make their first attempt at newspaper journalism. With the help of the printers Morton's of Horncastle these are printed, and some 30,000 copies distributed to schools, becoming family keepsakes and valuable evidence of achievement for the budding journalists. The Faculty regards itself as an advocate and support for change in all areas of public understanding of knowledge, including appreciation of our shared history, and for example has been key in securing major media archives to be relocated at the University; the Lincolnshire Echo Newspaper archive contains the physical printed newspapers for the county from the 1850s onwards, and the Media Archive for Central England (MACE) has just been received, with 60,000 cans of film from across the Midlands region containing the recorded media history of our region. This is a publicly accessible research centre with staff to facilitate the public and industrial exploration of the archive. In recognition of the vital work by the archive of securing our film and digital screen assets for generations to come, the University has appointed the Director of MACE as a member of academic staff of the university, cementing the relationship and offering longevity to this vital public project.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

Students from the Lincoln School of Journalism have been working with Lincolnshire Sports Partnership to produce an online magazine *Championing Lincolnshire*, about what Lincolnshire is planning for the London 2012 Olympic Games. A key objective is to inspire and enthuse individuals throughout Lincolnshire to take part in sport and activity as a result of London 2012, and to understand that the Olympics and Paralympics are about more than sport.

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

The College of Science has a strong focus on public benefit in its research. The School of Computer Science includes research into assistive care (computer-mediated support for vulnerable people), video surveillance to provide security to citizens, the use of social media in achieving positive social change (e.g. addressing obesity) and medical imaging for diabetes and cancer. The School of Engineering addresses issues in areas including energy conservation and has close links with industrial partners, helping to sustain UK industry. Its collaboration with Siemens Industrial Turbomachinery was highlighted in a recent publication by the University Alliance and its benefit to local economy identified and discussed by Lincolnshire County Council's economic scrutiny committee. Within the Life Sciences, research includes drugs of abuse, cancer, animal welfare, pest control, conservation and forensic anthropology. Much of the College's taught portfolio addresses issues of public concern and its graduates make an enormous contribution to the local economy.

Through its Further and Higher Education activities, the Faculty of Agriculture, Food and Animal Sciences raises students' and the public's awareness of animal welfare and food and farming issues, including farm open days and the services of the Animal Behaviour Clinic through which the general public can draw on the expertise of the faculty's internationally recognised academic team in pet behaviour. In addition several hundred young learners engage with the Faculty's land-based education activity annually through well established links with local schools. The Faculty is also engaged with partners in promoting sustainability of Lincolnshire's rural communities, making a key contribution to community cohesion in rural South Lincolnshire through its 'flagship' language development programme for the foreign nationals working in the food sector and supporting rural families in crisis through our partnership with Lincolnshire Rural Support Network.

The University's nationally award winning business incubation centre, Sparkhouse Studios, opened in 2003. Since then it has helped over 150 (41 in 2010-11 alone) new companies get started and grow. Many of these businesses have been started by our own graduates and have all been related to the innovative use of technology, including product design, graphic design, marketing and architecture. Now the second phase is complete – a £3.2 million building next door - and rebranded as Enterprise@Lincoln, even more new businesses can take advantage of our support. Recognising that not every new business requires a physical office space, the University developed and launched a virtual office scheme to expand the offer of support to a wider section of the local economy. This service is tailored to individual need but at its heart remains access to accredited incubation support and advice helping businesses thrive in a difficult economic climate. Many of the businesses in the centre have taken advantage of the other knowledge exchange schemes offered by the University, particularly Knowledge Transfer Partnerships and graduate internships.

The new University Court will support Faculties and Schools in developing relationships across many areas of activity, encompassing arts, education and the voluntary sector, as well as business and commerce – an opportunity for all to make a step change in engagement with our wider communities.

Admissions policy and student support

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

In common with other HEIs in England, the University of Lincoln charges tuition fees which, for UK/EU students, are subject to statutory regulation. For the academic year 2010-11, the standard fee for all full-time undergraduate UK/EU students was set at £3,290. Most of these students are eligible for UK government funding to pay their tuition fees via a tuition fee loan; and will only have to pay back the loan after they have graduated and are earning in excess of £15,000 per year.

OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 JULY 2011

The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Our aim is that no-one should be deterred from applying to the University of Lincoln, or considers leaving their course, due to financial issues. In 2010-11 the University disbursed £2.8m in financial support for students studying Higher Education courses and £220,000 for those studying Further Education courses through hardship funds, scholarships and bursaries.

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

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

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

Trustees' expenses

No members of the Board receive any payment for the work they do as Governors or as trustees, but reasonable expenses (chiefly for travelling and subsistence, and attendance at conferences and specialist training events or other external meetings on behalf of the Board) are reimbursed. For the academic year 2010-11, a total amount of £4,000 was paid in respect of claims made by 11 Governors.

The governing body includes members of the University staff who are paid as employees but who receive no supplementary payment for trusteeship.

There were no payments in the year to any Governor for services provided to the University. Note 35 to these accounts summarises relevant transactions between the University and organisations in which members of the Board of Governors have or may have an interest.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

Responsibilities of the Board of Governors

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

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

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

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

1. To approve, review and develop the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To appoint the Vice Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To delegate authority to the Vice Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice Chancellor.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for avoiding conflicts of interest.
5. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the approved Strategic Plan and key performance indicators.
6. To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself, including taking account of the views of the University Executive.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.
9. To appoint a Clerk to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability. The present Clerk to the Board has institutional managerial responsibilities as University Secretary.
10. To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

11. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
15. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable it to do so.

Corporate Governance

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

In September 2009 the Board established a working party comprising the Vice Chancellor, lay and staff and student Governors, and members of the Executive Board, to undertake a fundamental review of governance structures and processes. In April 2010, the Board debated the report of the working party and approved recommendations for change, including a reduction in the size of the governing body and an increase to the number of meetings each year. The Board also agreed that from 1 August 2010, it would retain only the Remuneration Committee and the Audit Committee. The business previously undertaken by the other committees – Finance and Resources, Estates, Human Resources, Governance and Nominations – now comes before the full Board or, as appropriate, is dealt with by the Vice Chancellor and the Executive and reported to the Board of Governors.

Between 1 August 2010 and 31 July 2011, the Board of Governors met on eleven occasions. The Remuneration Committee, whose role is to determine the remuneration of the most senior staff, including the Vice Chancellor, met on one occasion. The Audit Committee met four times; its role includes the consideration of detailed reports with recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the Funding Council relating to the University's business, and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The University's external and internal auditors attend Audit Committee meetings, and once a year the Committee meets the auditors on their own for private discussions. The deliberations and decisions of the two committees were reported to the Board of Governors.

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

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

The University maintains a register of interests of members of the Board of Governors which may be consulted by arrangement with the Clerk to the Board of Governors. In accordance with the Articles of Government of the

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

University, the University Secretary has been appointed as Clerk to the Board of Governors. In that capacity, he provides independent advice on matters of governance to all members of the Board.

Internal Control

This summary describes the manner in which the University has applied the principles set out in Section C of the UK Corporate Governance Code as published in June 2010. Its purpose is to help the reader of the University's accounts and of the Operating and Financial Review to understand how the principles have been applied.

The Board of Governors of the University of Lincoln has responsibility for maintaining and reviewing the effectiveness of a sound system of internal control which supports the achievement of policies, aims and objectives, 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 system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2011 and up to the date of approval of the annual report and financial statements.

The role of the Board of Governors in relation to risk is at overview level. The Board is not responsible for managing risk at operational level. It does, however need to ensure that a robust system exists for identifying, evaluating and managing risk within the University, and that this process is subject to regular review. The Board of Governors' review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the members of the Executive Board who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

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

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

At a corporate level we have a high level management assurance map which records the top 10 risks and reporting arrangements ensure that Audit Committee, the Board of Governors and Executive Board understand the strategic importance of managing these risks effectively.

The Governors' Audit Committee has continued its active oversight of University risk management, receiving three progress reports in October 2010, March 2011 and June 2011, responsibility for risk management having transferred to Planning in early 2010. The Board of Governors also received reports in January and July 2011.

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

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF GOVERNORS

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

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



Mr G Secker – Chair of the Board



Professor M Stuart - Vice Chancellor

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

We have audited the group and University financial statements of the University of Lincoln for the year ended 31 July 2011 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the group and University balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the relation notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the University and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

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

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS
OF THE UNIVERSITY OF LINCOLN**
(continued)

Matter on which we are required to report by exception

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

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

Deloitte LLP

**Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK**

Date: *22 November 2011*

UNIVERSITY OF LINCOLN
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - 31 JULY 2011

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

Basis of preparation

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

Basis of accounting

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

Basis of consolidation

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

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

Recognition of income

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

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

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

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

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

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

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

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

UNIVERSITY OF LINCOLN
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - 31 JULY 2011

Agency arrangements

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

Maintenance of premises

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

Foreign currency translation

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

Accounting for retirement benefits

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

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

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

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

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

Tangible fixed assets

(a) Land and buildings

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

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

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

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

UNIVERSITY OF LINCOLN
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - 31 JULY 2011

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

(b) **Equipment**

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

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

Leased assets

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

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

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

Stock and work in progress

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

Taxation

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

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

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

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

UNIVERSITY OF LINCOLN
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES - 31 JULY 2011

Cash flows and liquid resources

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

Investments

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

Provisions

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

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

	Notes	2011 £'000	2010 £'000
Income			
Funding body grants	1	43,794	43,027
Tuition fees and education contracts	2	33,941	31,713
Research grants and contracts	3	3,031	1,816
Other income	4	10,344	10,559
Endowment and investment Income	5	<u>145</u>	<u>124</u>
Total income		<u>91,255</u>	<u>87,239</u>
Expenditure			
Staff costs	6	50,119	47,663
Other operating expenses		33,954	31,980
Exceptional item - diminution in value of tangible fixed asset	10	581	1,355
Depreciation	12	3,892	3,688
Interest and other finance costs	8	<u>1,378</u>	<u>1,949</u>
Total expenditure	9	<u>89,924</u>	<u>86,635</u>
Surplus after depreciation of tangible fixed assets at valuation	25	1,331	604
Surplus for the year transferred from accumulated income in endowment funds		<u>128</u>	<u>27</u>
Surplus for the year retained within reserves		<u>1,459</u>	<u>631</u>

All items of income and expenditure arise from continuing operations.

UNIVERSITY OF LINCOLN
STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2011 £'000	2010 £'000
Surplus after depreciation of tangible fixed assets at valuation		1,459	631
Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount	22	-	29
Inherited debt release	22	<u>6</u>	<u>6</u>
Historical cost surplus for the year before taxation		<u>1,465</u>	<u>666</u>
Historical cost surplus for the year after taxation		<u>1,465</u>	<u>666</u>

UNIVERSITY OF LINCOLN
STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2011

	Notes	2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		1,331	604
New endowments	21	341	138
Actuarial gain/(loss) in respect of pension schemes	31	10,123	(3,439)
Pension past service credit	31	-	6,862
Diminution in value of revalued asset	22	<u>-</u>	<u>(998)</u>
Total recognised gains and losses relating to the year		<u>11,795</u>	<u>3,167</u>
Reconciliation			
Opening reserves and endowments		24,829	
Total recognised gains for the year		<u>11,795</u>	
Closing reserves and endowments		<u>36,624</u>	

**UNIVERSITY OF LINCOLN
BALANCE SHEETS AS AT 31 JULY 2011**

	Notes	Group 2011 £'000	University 2011 £'000	Group 2010 £'000	University 2010 £'000
Fixed assets					
Tangible assets	12	106,423	94,674	98,581	86,410
Investments	13	<u>30</u>	<u>11,547</u>	<u>30</u>	<u>11,823</u>
		106,453	106,221	98,611	98,233
Endowment assets					
	14	354	354	141	141
Current assets					
Stocks	15	355	165	341	189
Debtors	16	7,162	8,127	5,700	6,617
Short term deposits		5,088	4,866	10,023	10,023
Cash at bank and in hand		<u>7,376</u>	<u>6,868</u>	<u>5,857</u>	<u>5,173</u>
		19,981	20,026	21,921	22,002
Creditors: Amounts falling due within one year	17	<u>(13,905)</u>	<u>(13,762)</u>	<u>(14,847)</u>	<u>(14,796)</u>
Net current assets		6,076	6,264	7,074	7,206
Total assets less current liabilities					
		112,883	112,839	105,826	105,580
Creditors: Amounts falling due after more than one year	18	(14,681)	(14,681)	(15,363)	(15,363)
Provisions for liabilities and charges	19	<u>(3,531)</u>	<u>(3,531)</u>	<u>(1,631)</u>	<u>(1,631)</u>
Total net assets excluding pension liability		94,671	94,627	88,832	88,586
Pension liability	31	<u>(24,228)</u>	<u>(24,228)</u>	<u>(33,440)</u>	<u>(33,440)</u>
Total net assets including pension liability		<u>70,443</u>	<u>70,399</u>	<u>55,392</u>	<u>55,146</u>
Deferred capital grants					
	20	33,819	33,819	30,563	30,563
Endowments					
Restricted expendable	21	354	354	141	141
Reserves					
Income and expenditure account excluding pension reserve	23	60,208	60,164	57,832	57,586
Pension reserve	24	<u>(24,228)</u>	<u>(24,228)</u>	<u>(33,440)</u>	<u>(33,440)</u>
Income and expenditure account including pension reserve		35,980	35,936	24,392	24,146
Revaluation reserve	22	<u>290</u>	<u>290</u>	<u>296</u>	<u>296</u>
Total reserves		<u>36,270</u>	<u>36,226</u>	<u>24,688</u>	<u>24,442</u>
TOTAL		<u>70,443</u>	<u>70,399</u>	<u>55,392</u>	<u>55,146</u>

These financial statements on pages 27 to 53 were approved by the Board of Governors on 22 November 2011 and were signed on its behalf by:



G Secker - Chair of the Board



Professor M Stuart - Vice Chancellor

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

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	25	5,115	6,778
Returns on investments and servicing of finance	26	(74)	(39)
Capital expenditure and financial investment	27	(7,278)	(5,272)
Management of liquid resources	28	4,722	3,293
Financing	29	<u>(665)</u>	<u>(125)</u>
Increase in cash in the year		<u>1,820</u>	<u>4,635</u>

Reconciliation of net cash flow to movement in net debt

	Notes	2011 £'000	2010 £'000
Increase in cash in the year		1,820	4,635
Change in short term deposits	28	(4,722)	(3,293)
Change in debt	29	<u>665</u>	<u>125</u>
Change in net debt resulting from cash flows and movement in debt		(2,237)	1,467
Net debt at 1 August		<u>10</u>	<u>(1,457)</u>
Net debt at 31 July	30	<u>(2,227)</u>	<u>10</u>

UNIVERSITY OF LINCOLN
NOTES TO THE ACCOUNTS - 31 JULY 2011

1 Funding body grants

	2011	2010
	£'000	£'000
Recurrent grants		
Higher Education Funding Council for England (HEFCE)	38,885	38,638
Learning and Skills Council (LSC)	-	1,504
Skills Funding Agency (SFA)	880	426
Young People's Learning Agency (YPLA)	1,980	634
Specific grants		
HEFCE – Higher Education Innovation Fund	1,192	850
HEFCE – Learning and Teaching Strategy	-	71
HEFCE – Learning Landscapes	-	48
HEFCE – Other specific grants	70	65
LSC – Other specific grants	-	20
YPLA – Other specific grants	-	2
Deferred capital grants released in the year		
Buildings	323	221
Equipment	<u>464</u>	<u>548</u>
	<u>43,794</u>	<u>43,027</u>

2 Tuition fees and education contracts

	2011	2010
	£'000	£'000
Full-time home and EU students	27,903	26,939
Full-time international (non EU) students	2,298	1,353
Part-time students	2,043	1,859
Short courses and summer schools	1,387	1,265
Further education students	<u>310</u>	<u>297</u>
	<u>33,941</u>	<u>31,713</u>

3 Research grants and contracts

	2011	2010
	£'000	£'000
Research Councils	955	335
UK based charities	292	216
UK Central /Local Govt/Health/Hospitals	1,197	885
UK Industry	412	161
European Union	99	118
Overseas	<u>76</u>	<u>101</u>
	<u>3,031</u>	<u>1,816</u>

4 Other income

	2011	2010
	£'000	£'000
Residences, catering and conferences	3,945	3,915
Other income generating activities	5,857	5,897
Released from deferred capital grants	<u>542</u>	<u>747</u>
	<u>10,344</u>	<u>10,559</u>

UNIVERSITY OF LINCOLN
NOTES TO THE ACCOUNTS - 31 JULY 2011

5 Endowment and investment income

	2011	2010
	£'000	£'000
Income from short term investments	<u>145</u>	<u>124</u>

6 Staff costs

The average weekly number of persons employed by the University during the year, expressed as full time equivalents, was:

	2011	2010
	Number	Number
Teaching departments	713	696
Teaching support services	128	127
Other support services	71	62
Administration and central services	216	221
Premises	<u>21</u>	<u>21</u>
	<u>1,149</u>	<u>1,127</u>

	2011	2010
	£'000	£'000
Staff costs for the above persons:		
Wages and salaries	39,727	38,593
Social security costs	3,214	3,023
Other pension costs (see note 31)	5,485	5,230
Staff restructuring costs	<u>1,693</u>	<u>817</u>
	<u>50,119</u>	<u>47,663</u>

7 Senior staff emoluments

	2011	2010
	£'000	£'000
The emoluments of the current Vice Chancellor were as follows:		
Salary	182	143
Benefits in kind	2	1
Pension costs	<u>29</u>	<u>23</u>
	<u>213</u>	<u>167</u>

	2011	2010
	£'000	£'000
The emoluments of the previous Vice Chancellor were as follows:		
Salary	-	69
Benefits in kind	-	-
Pension costs	<u>-</u>	<u>7</u>
	<u>-</u>	<u>76</u>

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7 Senior staff emoluments (continued)

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

	2011	2010
	Number	Number
£100,000 - £109,999	4	3
£110,000 - £119,999	<u>2</u>	<u>1</u>

8 Interest and other finance costs

	2011	2010
	£'000	£'000
On loans wholly or partly repayable in more than five years	222	189
Net charge on pension scheme	<u>1,156</u>	<u>1,760</u>
	<u>1,378</u>	<u>1,949</u>

9 Analysis of total expenditure by activity

	2011	2010
	£'000	£'000
Academic departments	41,128	37,292
Academic services	9,953	8,961
Administration and central services	15,453	17,978
Premises	13,162	13,935
Residences and catering operations	5,414	4,419
Research grants and contracts	2,510	1,488
Other expenditure	<u>2,304</u>	<u>2,562</u>
	<u>89,924</u>	<u>86,635</u>
Other operating expenses include:		
External auditors remuneration in respect of audit services*	29	33
External auditors remuneration in respect of taxation services**	-	2
External auditors remuneration in respect of other services***	7	2
Hire of equipment – operating lease rentals	<u>414</u>	<u>773</u>

* Includes £26,000 in respect of the University (2010: £30,000)

** Includes £nil in respect of the University (2010: £nil)

*** Includes £7,000 in respect of the University (2010: £2,000)

Trustees

No trustee has received any remuneration/waived payments from the Group during the year (2010: £nil).

10 Exceptional items

	2011	2010
	£'000	£'000
Diminution in value of tangible fixed assets	<u>581</u>	<u>1,355</u>

During each year, a diminution in the carrying value of one of the University's freehold buildings was recognised and this has been reflected in the financial statements.

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11 Surplus on continuing operations for the year

The surplus on continuing operations for the year is made up as follows:

	2011 £'000	2010 £'000
University's surplus for the year	1,661	637
Deficit of related undertakings	(334)	(296)
Consolidation adjustment	<u>132</u>	<u>290</u>
	<u>1,459</u>	<u>631</u>

12 Tangible fixed assets

Group	Assets in the course of construction £'000	Freehold Land and Buildings £'000	Leasehold Land and Building £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2010	10,146	93,222	9,827	8,582	121,777
Additions	10,806	401	51	1,057	12,315
Disposals	-	-	-	-	-
Written off	-	-	-	(1,581)	(1,581)
Transfers	<u>(12,754)</u>	<u>11,332</u>	<u>301</u>	<u>1,121</u>	<u>-</u>
At 31 July 2011	<u>8,198</u>	<u>104,955</u>	<u>10,179</u>	<u>9,179</u>	<u>132,511</u>
Depreciation					
At 1 August 2010	-	15,437	2,199	5,560	23,196
Charge for year	-	2,035	368	1,489	3,892
Eliminated on disposals	-	-	-	-	-
Diminution in value	-	581	-	-	581
Written off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,581)</u>	<u>(1,581)</u>
At 31 July 2011	<u>-</u>	<u>18,053</u>	<u>2,567</u>	<u>5,468</u>	<u>26,088</u>
Net book value					
At 31 July 2011	<u>8,198</u>	<u>86,902</u>	<u>7,612</u>	<u>3,711</u>	<u>106,423</u>
At 31 July 2010	<u>10,146</u>	<u>77,785</u>	<u>7,628</u>	<u>3,022</u>	<u>98,581</u>

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12 Tangible Fixed Assets (continued)

University

	Assets in the course of construction £'000	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2010	10,146	78,724	9,827	7,959	106,656
Additions	10,806	401	51	1,057	12,315
Disposals	-	-	-	-	-
Written off	-	-	-	(1,581)	(1,581)
Transfers	<u>(12,754)</u>	<u>11,332</u>	<u>301</u>	<u>1,121</u>	<u>-</u>
At 31 July 2011	<u><u>8,198</u></u>	<u><u>90,457</u></u>	<u><u>10,179</u></u>	<u><u>8,556</u></u>	<u><u>117,390</u></u>
Depreciation					
At 1 August 2010	-	12,966	2,199	5,081	20,246
Charge for year	-	1,758	368	1,344	3,470
Eliminated on disposals	-	-	-	-	-
Diminution in value	-	581	-	-	581
Written off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,581)</u>	<u>(1,581)</u>
At 31 July 2011	<u><u>-</u></u>	<u><u>15,305</u></u>	<u><u>2,567</u></u>	<u><u>4,844</u></u>	<u><u>22,716</u></u>
Net book value					
At 31 July 2011	<u><u>8,198</u></u>	<u><u>75,152</u></u>	<u><u>7,612</u></u>	<u><u>3,711</u></u>	<u><u>94,674</u></u>
At 31 July 2010	<u>10,146</u>	<u>65,758</u>	<u>7,628</u>	<u>2,878</u>	<u>86,410</u>

On adoption of FRS 15 (Tangible Fixed Assets), the University followed the transitional provision to retain the book value of land and buildings which were revalued in 1994 by a firm of chartered surveyors, but not to adopt the policy of revaluations in the future.

At 31 July 2011, freehold land and buildings included £6,573,000 (2010: £5,889,000) in respect of land which is not depreciated.

13 Fixed asset investments

Group	Other Investments £'000
Cost	
At 1 August 2010 and 31 July 2011	<u><u>30</u></u>
Net book value	
At 1 August 2010 and 31 July 2011	<u><u>30</u></u>

UNIVERSITY OF LINCOLN
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13 Fixed asset investments (continued)

University	Shares in related undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 August 2010 and 31 July 2011	<u>14,534</u>	<u>30</u>	<u>14,564</u>
Amounts written off			
At 1 August 2010	2,741	-	2,741
Written off in year	<u>276</u>	<u>-</u>	<u>276</u>
At 31 July 2011	<u>3,017</u>	<u>-</u>	<u>3,017</u>
Net book value			
At 31 July 2011	<u>11,517</u>	<u>30</u>	<u>11,547</u>
At 31 July 2010	<u>11,793</u>	<u>30</u>	<u>11,823</u>

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

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

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

The University holds a 33.3% interest in Lincoln Student Solutions Limited, a charitable company limited by guarantee incorporated in England and Wales. The nature of its business is the provision of student residential accommodation.

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

14 Endowment Asset Investments

Group and University	2011 £'000	2010 £'000
Balance at 1 August	141	30
Additions	340	138
Disposals	<u>(127)</u>	<u>(27)</u>
Balance at 31 July	<u>354</u>	<u>141</u>
Represented by:		
Bank Balances	<u>354</u>	<u>141</u>

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15 Stocks

	Group 2011 £'000	University 2011 £'000	Group 2010 £'000	University 2010 £'000
Goods for resale	88	88	38	38
Raw materials and consumables	233	77	262	151
Work in progress at cost less applicable progress payments	<u>34</u>	<u>-</u>	<u>41</u>	<u>-</u>
	<u>355</u>	<u>165</u>	<u>341</u>	<u>189</u>

16 Debtors

	Group 2011 £'000	University 2011 £'000	Group 2010 £'000	University 2010 £'000
Amounts falling due within one year:				
Trade debtors	3,631	3,611	3,353	3,331
Amounts owed by subsidiary undertakings	-	983	-	951
Other debtors	585	591	55	48
Prepayments and accrued income	<u>2,712</u>	<u>2,708</u>	<u>2,082</u>	<u>2,077</u>
	6,928	7,893	5,490	6,407
Amounts falling due after more than one year:				
Prepayments and accrued income	<u>234</u>	<u>234</u>	<u>210</u>	<u>210</u>
	<u>7,162</u>	<u>8,127</u>	<u>5,700</u>	<u>6,617</u>

17 Creditors: Amounts falling due within one year

	Group 2011 £'000	University 2011 £'000	Group 2010 £'000	University 2010 £'000
Secured loans	702	702	664	664
Unsecured loans and overdrafts	-	-	302	302
Payments received in advance	3,645	3,621	3,056	3,056
Trade creditors	1,399	1,356	1,900	1,899
Amounts owed to subsidiary undertakings	-	-	-	38
Other creditors	1,879	1,882	2,005	2,008
Other taxation and social security	1,229	1,223	1,416	1,404
Accruals and deferred income	<u>5,051</u>	<u>4,978</u>	<u>5,504</u>	<u>5,425</u>
	<u>13,905</u>	<u>13,762</u>	<u>14,847</u>	<u>14,796</u>

18 Creditors: Amounts falling due after more than one year

	Group 2011 £'000	University 2011 £'000	Group 2010 £'000	University 2010 £'000
Secured loans	13,843	13,843	14,545	14,545
Unsecured loans and overdrafts	500	500	500	500
Other taxation and social security	124	124	198	198
Accruals and deferred income	<u>214</u>	<u>214</u>	<u>120</u>	<u>120</u>
	<u>14,681</u>	<u>14,681</u>	<u>15,363</u>	<u>15,363</u>

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

	Group and University	
	2011	2010
	£'000	£'000
Secured and unsecured loans		
Secured and unsecured loans are repayable as follows:		
Due within one year or on demand	702	966
Due between one and two years	753	702
Due between two and five years	2,573	2,413
Due in five years or more	<u>11,017</u>	<u>11,930</u>
	15,045	16,011
Due within one year or on demand	<u>(702)</u>	<u>(966)</u>
Due after more than one year	<u>14,343</u>	<u>15,045</u>
Secured loans repayable by 2028	<u>13,843</u>	<u>14,545</u>
Unsecured loan repayable by 2035	<u>500</u>	<u>500</u>

The University's has an unsecured loan facility of £15,000,000 from Santander to finance the University's estates strategy. As at 31 July 2011, the University had drawn down £500,000 of this facility. The revolving facility extends to 2015, at which time the loan will term for 20 years. A five-year repayment holiday has been negotiated for the period up to 2015.

The University's loans with Dexia (£14,545,000 at 31 July 2011) remain unchanged and annual repayments of £702,000 will continue to be made. During the year, interest was payable at rates between 1.17% and 1.23%. In January 2011, the University fixed the interest payable on these loans, to take effect from January 2012, at rates between 5.08% and 5.38%. These loans are secured on the Art, Architecture and Design Building and the Media, Humanities and Technology Building.

19 Provisions for liabilities

	Restructuring costs	Dilapidations	Total
Group and University	£'000	£'000	£'000
At 1 August 2010	231	1,400	1,631
Paid in year	(547)	-	(547)
Charged to income and expenditure account	<u>1,697</u>	<u>750</u>	<u>2,447</u>
At 31 July 2011	<u>1,381</u>	<u>2,150</u>	<u>3,531</u>
Due within one year			1,344
Due between one and two years			1,237
Due between two and five years			530
Due in five years or more			<u>420</u>
			<u>3,531</u>

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

The dilapidations provision relate to contractual obligations under certain of the operating leases.

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20 Deferred capital grants

Group and University	Funding Council		Other Grants		Total £'000
	Land & Buildings £'000	Equipment £'000	Land & Buildings £'000	Equipment £'000	
At 1 August 2010	17,731	1,049	9,962	1,821	30,563
Grants received	2,069	25	2,457	34	4,585
Reclassifications	(708)	708	900	(900)	-
Released to income and expenditure account	<u>(323)</u>	<u>(464)</u>	<u>(280)</u>	<u>(262)</u>	<u>(1,329)</u>
At 31 July 2011	<u>18,769</u>	<u>1,318</u>	<u>13,039</u>	<u>693</u>	<u>33,819</u>

21 Endowment funds and linked charities

Group and University	2011 £'000	2010 £'000
Balances at 1 August 2010		
Capital	138	27
Accumulated Income	<u>3</u>	<u>3</u>
	141	30
New endowments	341	138
Expenditure	<u>(128)</u>	<u>(127)</u>
At 31 July 2011	<u>354</u>	<u>141</u>
Represented by:		
Capital value	350	138
Accumulated Income	<u>4</u>	<u>3</u>
	<u>354</u>	<u>141</u>

All endowments are restricted expendable.

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

	£'000
At 1 August 2010	11,190
Deficit for the financial year	<u>(276)</u>
At 31 July 2011	<u>10,914</u>

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

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22 Revaluation reserve

Group and University	2011 £'000	2010 £'000
At 1 August	296	1,329
Transfer to income and expenditure reserve in respect of:		
Depreciation on revalued assets	-	(29)
Inherited debt release	(6)	(6)
Diminution in value of revalued asset	<u>-</u>	<u>(998)</u>
At 31 July	<u>290</u>	<u>296</u>

23 Income and expenditure account reserve

	Group £'000	University £'000
At 1 August 2010	57,832	57,586
Surplus on continuing operations before transfer from revaluation reserve	1,459	1,661
Transfer from revaluation reserve	6	6
Add back pension deficit	<u>911</u>	<u>911</u>
At 31 July 2011	<u>60,208</u>	<u>60,164</u>

24 Pension reserve

Group and University	2011 £'000	2010 £'000
At 1 August	(33,440)	(35,427)
Actuarial gain/(loss)	10,123	(3,439)
Past service credit	-	6,862
Deficit retained within reserves	<u>(911)</u>	<u>(1,436)</u>
At 31 July	<u>(24,228)</u>	<u>(33,440)</u>

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

	2011 £'000	2010 £'000
Surplus on continuing operations after depreciation of assets at valuation and before taxation	1,459	631
Depreciation	3,892	3,688
Exceptional item – diminution in value of fixed asset	581	1,355
Deferred capital grants released to income	(1,329)	(1,516)
Profit on disposal of tangible fixed assets	-	(15)
Interest receivable	(145)	(124)
Interest payable	222	189
Increase in stocks	(14)	(43)
Increase in debtors	(1,466)	(550)
(Decrease)/increase in creditors	(896)	1,541
Increase in provisions	1,900	186
Pension costs less contributions payable	<u>911</u>	<u>1,436</u>
Net cash inflow from operating activities	<u>5,115</u>	<u>6,778</u>

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26 Returns on investments and servicing of finance

	2011 £'000	2010 £'000
Interest received	148	150
Interest paid	<u>(222)</u>	<u>(189)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(74)</u>	<u>(39)</u>

27 Capital expenditure and financial investment

	2011 £'000	2010 £'000
Payments to acquire tangible fixed assets	(12,076)	(12,147)
Proceeds from sale of tangible fixed assets	-	36
Deferred capital grants received	4,585	6,728
Endowment funds invested	<u>213</u>	<u>111</u>
Net cash outflow from capital expenditure and financial investment	<u>(7,278)</u>	<u>(5,272)</u>

28 Management of liquid resources

	2011 £'000	2010 £'000
Increase in endowment assets	(213)	(111)
Decrease in short term deposits	<u>4,935</u>	<u>3,404</u>
Net cash inflow from management of liquid resources	<u>4,722</u>	<u>3,293</u>

29 Financing

	2011 £'000	2010 £'000
New bank loans	-	500
Repayments of amounts borrowed	<u>(665)</u>	<u>(625)</u>
Net cash outflow from financing	<u>(665)</u>	<u>(125)</u>

30 Analysis of changes in net debt

	At 1 August 2010 £'000	Cash flows £'000	Non-cash changes £'000	At 31 July 2011 £'000
Cash at bank and in hand	5,857	1,519	-	7,376
Endowment assets	141	213	-	354
Short term deposits	10,023	(4,935)	-	5,088
Debt due within one year	(966)	301	(37)	(702)
Debt due after one year	<u>(15,045)</u>	<u>665</u>	<u>37</u>	<u>(14,343)</u>
	<u>10</u>	<u>(2,237)</u>	<u>-</u>	<u>(2,227)</u>

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31 Pension schemes

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

	2011	2010
	£'000	£'000
ERPF charge to the Income and Expenditure account	2,458	2,333
TPS contributions paid	2,592	2,552
USS contributions paid	<u>435</u>	<u>345</u>
Total pension cost	<u>5,485</u>	<u>5,230</u>

ERPF

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

The total contribution made for the year ended 31 July 2011 was £3,609,000 of which employers' contribution totalled £2,703,000 and employees' contributions totalled £906,000. The employer's contribution rate was 18.5% until 31 March 2011 and 20.4% from 1 April 2011. Employers' contribution rates will also increase in future to 23.3% on 1 April 2012 and 26.3% on 1 April 2013. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 7.5%.

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

Under the definitions set out in FRS17, the ERPF is a multi-employer defined benefit pension scheme. In the case of the ERPF, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2011.

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

FRS17

The following information is based upon a full actuarial valuation of the fund at 31 March 2010, updated to 31 July 2011 on an FRS17 basis by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2011 were:

	2011	2010
Pension Increase rate	2.7%	2.9%
Salary Increase Rate (see note below)	5.0%	4.9%
Expected return on assets	6.4%	6.6%
Discount rate for liabilities	5.3%	5.4%

The salary increase assumption is 1% until 31 March 2012 reverting to the long term rate shown thereafter.

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31 Pension schemes (continued)

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

	2011	2010
<i>Current pensioners</i>		
Males	22.9	22.7
Females	25.7	26.1
<i>Future pensioners</i>		
Males	24.9	24.8
Females	27.7	28.3

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

	2011		2010		2009	
	Long term return %	Fund Value £'000	Long term return %	Fund Value £'000	Long term return %	Fund Value £'000
Equities	7.0%	47,644	7.3%	39,003	7.3%	34,715
Bonds	4.6%	6,187	4.8%	5,798	5.3%	4,773
Property	5.1%	3,712	5.3%	3,162	5.3%	1,736
Cash	4.0%	<u>4,331</u>	4.4%	<u>4,744</u>	4.3%	<u>2,170</u>
Total market value of assets		<u>61,874</u>		<u>52,707</u>		<u>43,394</u>

The following amounts at 31 July 2011 were measured in accordance with the requirements of FRS17.

	2011 £'000	2010 £'000
Analysis of amount shown in balance sheet		
Fair value of employer assets	61,874	52,707
Present value of funded obligations	(83,892)	(83,882)
Present value of unfunded obligations	<u>(2,210)</u>	<u>(2,265)</u>
Deficit in the scheme – net pension liability	<u>(24,228)</u>	<u>(33,440)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service charge	2,458	2,235
Losses on curtailments	<u>-</u>	<u>98</u>
Total operating charge	<u>2,458</u>	<u>2,333</u>
Analysis of the amount charged to interest payable		
Expected return on pension scheme net assets	3,534	3,017
Interest on pension scheme liabilities	<u>(4,690)</u>	<u>(4,777)</u>
Net charge	<u>(1,156)</u>	<u>(1,760)</u>
Analysis of the amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	3,841	4,289
Past service gains	-	6,862
Experience gains and losses	<u>6,282</u>	<u>(7,728)</u>

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31 Pension schemes (continued)

Movement in deficit during year	2011	2010
	£'000	£'000
Deficit in scheme at 1 August 2010	(33,440)	(35,427)
Movement in year:		
Current service charge	(2,458)	(2,235)
Employer contributions	2,565	2,526
Contribution in respect of unfunded benefits	138	131
Loss on curtailments	-	(98)
Net return on assets	(1,156)	(1,760)
Actuarial gain/(loss)	<u>10,123</u>	<u>3,423</u>
Deficit in scheme at 31 July 2011	<u>(24,228)</u>	<u>(33,440)</u>

Analysis of the movement in the present value of scheme liabilities	2011	2010
	£'000	£'000
At the beginning of the year	86,147	78,821
Current service cost	2,458	2,235
Interest cost	4,690	4,777
Contributions by members	906	856
Actuarial (gains)/losses	(6,282)	7,728
Past service gains	-	(6,862)
Loss on curtailments	-	98
Estimated unfunded benefits paid	(138)	(131)
Estimated benefits paid	<u>(1,679)</u>	<u>(1,375)</u>
At the end of the year	<u>86,102</u>	<u>86,147</u>

Analysis of the movement in the fair value of scheme assets		
At the beginning of the year	52,707	43,394
Expected return on assets	3,534	3,017
Contributions by members	906	856
Contributions by employer	2,565	2,526
Contributions in respect of unfunded benefits	138	131
Actuarial gains	3,841	4,289
Estimated unfunded benefits paid	(138)	(131)
Estimated benefits paid	<u>(1,679)</u>	<u>(1,375)</u>
At the end of the year	<u>61,874</u>	<u>52,707</u>

History of experience gains and losses	31 July	31 July	31 July	31 July	31 July
Cumulative	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(86,102)	(86,147)	(78,821)	(64,159)	(64,226)
Fair value of scheme assets	<u>61,874</u>	<u>52,707</u>	<u>43,394</u>	<u>45,463</u>	<u>52,834</u>
Deficit in the scheme	<u>(24,228)</u>	<u>(33,440)</u>	<u>(35,427)</u>	<u>(18,696)</u>	<u>(11,392)</u>
Difference between the expected and actual return on assets:					
% of scheme assets	3,841	4,289	(7,223)	(13,052)	2,282
	6.2%	8.1%	16.6%	28.7%	4.3%
Experience (losses)/gains on scheme liabilities:					
Present value of liabilities	3,789	59	46	2,647	21
% of scheme liabilities	86,102	86,147	78,821	64,159	64,226
	4.4%	0.1%	0.1%	4.1%	0.0%

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31 Pension schemes (continued)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £6,781,000 (2010: loss £16,904,000).

ERPF (continued)

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

The amount projected to be charged to operating profit for the year ending 31 July 2012 is £3,347,000. The estimated employer's contribution for the year ending 31 July 2012 is £2,981,000.

TPS

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

USS

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. At 31 March 2011 USS had over 142,000 active members and the University has 55 active members participating in the scheme.

Under the Scheme trust deed and rules, the employer contribution rate is determined by the Scheme trustees, acting on actuarial advice.

The University is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The latest triennial actuarial valuation of the Scheme, using the projected unit method, was at 31 March 2008. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

Use of standard mortality tables in the valuation assumptions reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

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

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

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

Since 31 March 2008, global investment markets have continued to fluctuate and at 31 March 2011, the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Compared to the previous 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and

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31 Pension schemes (continued)

changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

The next formal valuation is as at 31 March 2011, details of which are not yet available, and this will incorporate updated assumptions agreed by the trustee company. With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels. On the FRS 17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%. Surpluses or deficits which arise at future valuations may impact on institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

The strong positive cash flow of the Scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the Scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the Scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £435,000 (2010: £345,000). This includes £54,000 (2010: £42,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

FRS17

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

32 Financial commitments

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

	Group and University	
	2011	2010
	£'000	£'000
Land and buildings		
Expiring within one year	-	39
Expiring between two and five years inclusive	482	433
Expiring in over five years	<u>409</u>	<u>394</u>
	<u>891</u>	<u>866</u>
Other		
Expiring within one year	19	311
Expiring between two and five years inclusive	36	53
Expiring in over five years	<u>-</u>	<u>3</u>
	<u>55</u>	<u>367</u>

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33 Capital commitments

Provision has not been made for the following capital commitments at 31 July 2011:

	Group and University	
	2011	2010
	£'000	£'000
Commitments contracted for	1,749	4,354
Authorised but not contracted for	<u>18,123</u>	<u>19,763</u>
	<u>19,872</u>	<u>24,117</u>

34 Amounts disbursed as agent

	2011	2010
	£'000	£'000
a) Access to Learning Fund		
Excess of income over expenditure at 1 August 2010	15	-
Income		
Funding Council grants	<u>274</u>	<u>315</u>
Expenditure		
Disbursed to students	267	298
Fund running costs	<u>8</u>	<u>2</u>
	<u>275</u>	<u>300</u>
Excess of income over expenditure at 31 July 2011	<u>14</u>	<u>15</u>
b) Skills Funding Agency / Young Persons Learning Agency		
Income		
Funding Council grants	<u>239</u>	<u>238</u>
Expenditure		
Disbursed to students	192	219
Fund running costs	<u>12</u>	<u>12</u>
	<u>204</u>	<u>231</u>
Excess of income over expenditure at 31 July	<u>35</u>	<u>7</u>
c) General Social Care Council (GSCC)		
Excess of income over expenditure at 31 July	49	-
Income		
Received from GSCC	859	839
Expenditure		
Paid to placement providers	<u>806</u>	<u>790</u>
Excess of income over expenditure at 31 July	<u>101</u>	<u>49</u>

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

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35 Related party transactions

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

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

Transactions totalling £53,997 relating to the rental of facilities took place with The Corporate Body of Lincoln Cathedral, where the Very Rev'd Philip Buckler is a director.

Transactions totalling £126,160 relating to teaching took place with the Lincoln Diocesan Trust, where the Very Rev'd Philip Buckler is the Dean.

Transactions totalling £4,608 relating to the hire of sports facilities took place with Lincoln Minster School, where Mr R Buttery is a member of the governing body.

Transactions totalling £190,193 relating to teaching and medical support, took place with NHS Lincolnshire, where Mr R Buttery is a non-executive director.

Transactions totalling £48,975 relating to the provision of transport services, took place with Translinc Ltd, where Mr R Buttery is a director of the Translinc Ltd Pension Scheme.

Transactions totalling £84,714 relating to teaching and medical support took place with United Lincolnshire Hospitals NHS Trust, where Mr K Darwin is a non-executive director.

Transactions totalling £3,750 relating to marina moorings took place with the Brayford Trust, where Mr K Darwin is a director.

Transactions totalling £773,906 relating to the engineering contract took place with Siemens Industrial Turbomachinery Ltd, where Mr N Muntz is a director.

Transactions totalling £39,650 relating to a knowledge transfer programme took place with the Lincoln Co-operative Society, where Mr S Galjaard is Chief Finance Officer.

Transactions totalling £41,119 relating to research activity took place with the University of Nottingham, where Prof S Bailey is Head of the School of Law.

Transactions totalling £39,650 relating to a knowledge transfer programme took place with the Lincoln Co-operative Society, where Mr S Galjaard is Chief Finance Officer.

£199,400 was owed to the University from Siemens Industrial Turbomachinery Ltd at 31 July 2011.

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