



Financial Statements 2015/16



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Key highlights for the year ended 31 July 2016

Strategic plan The University's vision is that, by 2021:

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

Financial highlights This year's result represents another year of sustained progress. Continued income growth, strong cash generation and a robust balance sheet demonstrate the financial strength and sustainability of the University. This has allowed the University to invest heavily in both student and staff facilities to improve the overall student experience and enhance research quality.

	2016	2015
	£000	£000
Total income	138,627	132,917
Operating surplus	8,579	7827
Net cash generated from operations	16,436	11,531
Net assets	148,431	149,704
Capital expenditure	26,914	13,047
Net debt	27,612	23,094

League tables The University has risen to its highest ever position in The Times and Sunday Times Good University Guide, jumping 11 places to 51st position in the overall rankings (out of 128 higher education institutions listed). Most significantly the University has improved in the areas of teaching quality and student experience, where it is ranked in the top ten nationally on both measures.

In the latest Complete University Guide, the University is placed 49th out of 127 institutions, compared to 51st out of 126 last year, a rise of two places, positioning us among the top 50 UK universities.

National Student Survey 2016 The University of Lincoln is ranked in the top 10 in the UK for overall student satisfaction in the National Student Survey 2016 (based on mean average score for Q22, of 128 league table institutions). In addition, Lincoln was ranked number one in a range of NSS subject areas.

'Lighting up Lincolnshire' The University is progressing well with its £130m 'Lighting up Lincolnshire' capital investment programme. Announced in 2015, the programme will transform the campus, providing further world class facilities to support education and growth across the region.

School of Geography Development of the new School of Geography at the University is well underway, with the School due to welcome its first students in September 2017. The UK's newest academic department for teaching and research in Geography will lead the way in advancing knowledge of the inhabited Earth, environmental health, water and climate change.

Midlands Engine The University is among seven Midlands universities who have officially joined forces in a pioneering new partnership to provide a powerful economic resource for the 'Midlands Engine'. The partnership brings the institutions together to create a unique pool of skills, research, expertise and facilities, which will be made available to businesses and local authorities to create jobs, boost economic growth and plug skills gaps across the East and West Midlands.

Strategic Direction

Strategic Plan

In 2016 the University announced its new strategic plan. This 2016-21 plan presents the University's priorities and strategic direction over the next five year period of our development building on our significant progress to date. The vision is that, by 2021:

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

Core Principles

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

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

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

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

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

External Environment

Political Environment

As the University continues to grow and develop we continue to be aware of the regulatory environment in which we operate. During the last year the higher education landscape has continued to change. These changes have created a number of challenges and opportunities for the University which in turn continue to focus our efforts on diversifying its income streams.

Reputation

The University's external reputation continues to grow with a strong reputation for leadership and innovation, particularly focused on partnership work with employers. The University rose to its highest ever position in The Times and Sunday Times Good University Guide 2017 and was placed in the top 10 (of 128 HEIs listed) for both student experience and teaching quality. The latest Complete University Guide placed the University at 49th out of 127 institutions, compared to 51st out of 126 last year, a rise of two places positioning us among the top 50 UK universities.

Competition

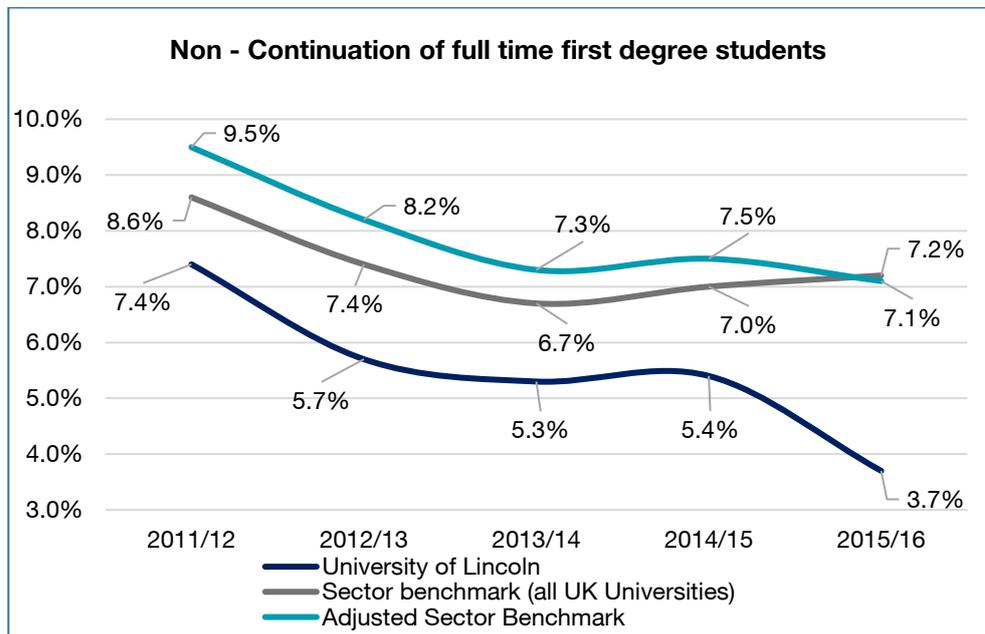
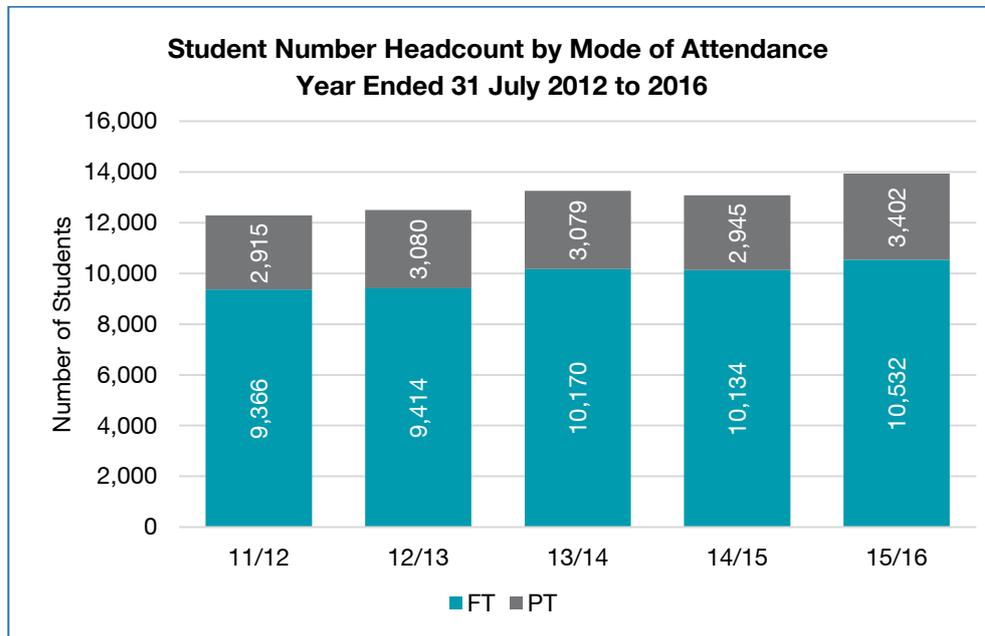
The University's key competitors continue to be located mainly in major UK cities. The makeup of this competitor set is however changing as the University moves up the league tables and our profile changes, particularly in terms of research.

Demand

The University continues to identify student recruitment as one of the key risks and opportunities that it faces and continues to make great efforts to meet targets and improve retention rates. Demand for Lincoln remains high and we continue to see a year on year increase in student numbers due to both growth in existing subject areas and the development of new subject areas, mainly in STEM provision.

The University also continues to perform significantly well in terms of retaining students and continues to outperform the sector benchmark in terms of the HEFCE Performance indicators relating to this area.

The graphs below demonstrate these trends.



The adjusted sector benchmark reflects the student profile and subject mix of the University of Lincoln.

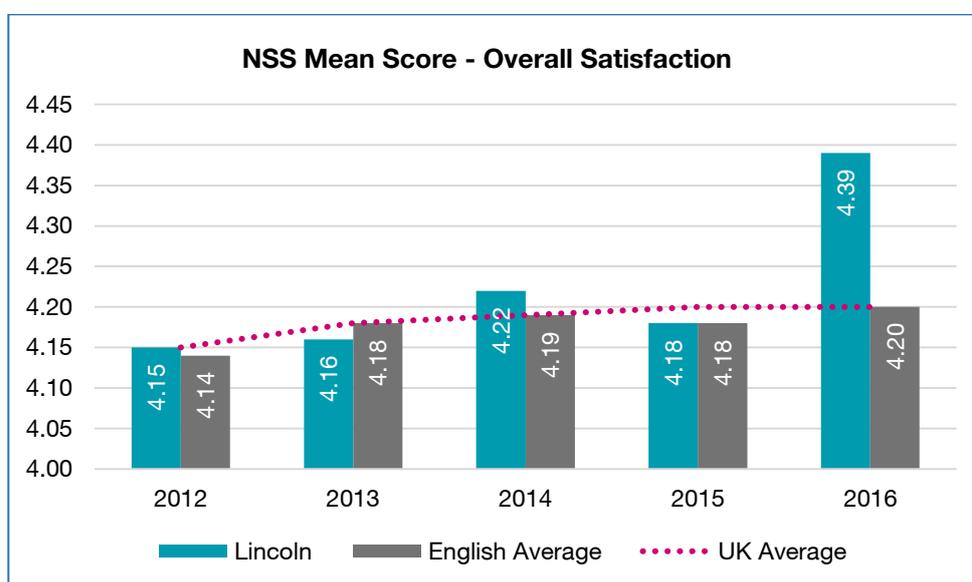
Review of the Year

Teaching
Excellence and a
Great Student
Experience

Students are at the heart of everything we do with our aim to create a personalised student experience. 2016 saw a successful year in relation to student experience with the 2016 National Student Survey (NSS) heralding the best results for student satisfaction in Lincoln's history, with unprecedented levels of satisfaction achieved in all 22 questions institutionally.

These were our best results to date with gains attained in all NSS categories, particularly teaching, assessment and feedback and academic support. Overall student satisfaction saw an increase from 4.18 to 4.39, placing us in the top ten of institutions nationally (8th out of 128) and the average for all questions rose from 4.12 to 4.28, placing us 6th out of 128 nationally. 16 subject areas ranked in the top 10% nationally for overall satisfaction with Biological Sciences, Biochemistry, Design Courses, International Tourism and Zoology ranked first in the country.

The graph below sets out the five year trend of NSS scores in relation to the sector.



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

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

As we continue to grow and diversify our student numbers we continue to improve our campus to ensure a great student experience. Over £200m has now been invested in the campus, transforming a brownfield site into an award-winning, state-of-the-art learning environment for the thousands of students who pass through its doors every year. We also plan to spend in excess of another £100m to improve the student experience further over the next few years. Construction started this year on three major additions to the Brayford Pool campus. Cygnet Wharf will provide 442 new study bedrooms on the Marina site. The Isaac Newton Building will house the Schools of Computer Science, Engineering and Mathematics & Physics, as well as a 500-seat lecture theatre. The Sarah Swift Building on Brayford Wharf East will house the Schools of Health & Social Care and Psychology and

improve the University’s connection to the High Street. All three buildings will open in 2017, in the largest one-year expansion of the estate in the University’s history.

The associated moves of facilities and staff will release thousands of square metres of academic space in the summer of 2017. This space will be refurbished and reallocated to support growth. In parallel, the University is progressing its phased implementation of the landscaping masterplan for the campus, and developing its long-term plans for Holbeach and Riseholme. As well as investing in our physical infrastructure we continue to develop and invest in our information systems and digital technologies to aid and support excellence in teaching.

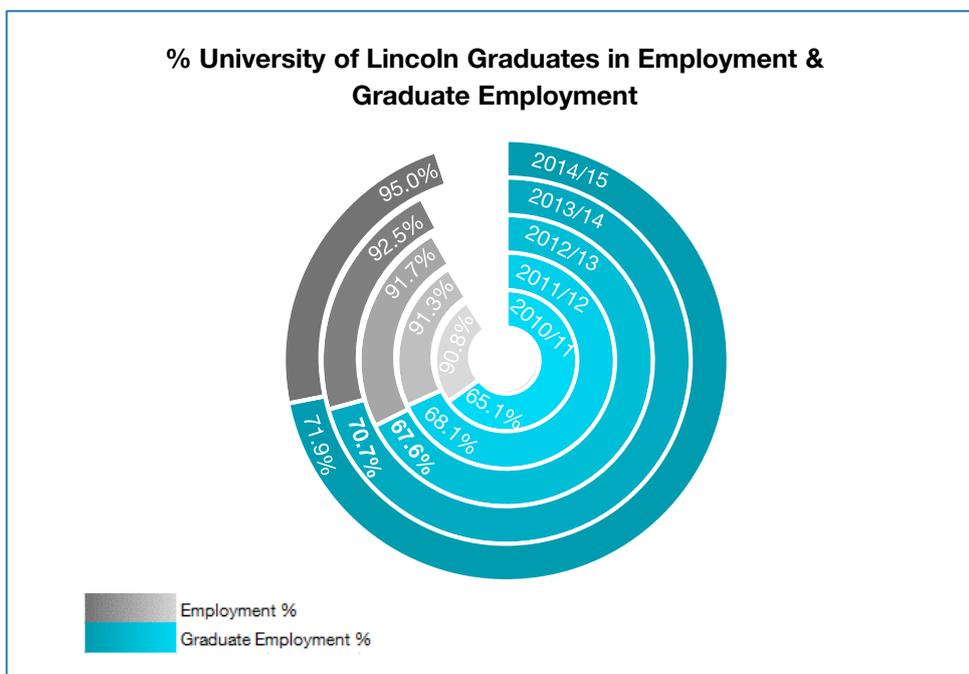
**Graduate
Success**

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

The Destinations of Leavers Survey (DLHE) return shows that 95% of our students graduating in 2014/15 were in employment or further study within six months of completing their course and 72% had secured graduate level roles. This reflects a year on year improvement in this area.

Careers and employability services are employer led and informed, and are offered both centrally and within the curriculum. This year has seen the Careers and Employability team involved in key institutional agendas such as personal tutoring, learning gain and the development of a graduate attributes framework. Working closely with colleagues in the Business Incubation and Growth unit ensures that entrepreneurship and self-employment is increasingly seen as a viable graduate destination.

The graph below sets out the five year trend in both overall employment and graduate employment.



Strategic report for the year ended 31 July 2016

Research with impact

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

The University's academic staff includes more than 60 substantive professors, who support a thriving research culture and a high-quality student experience and is home to more than 40 research centres and research groups, investigating subjects ranging from Vision Engineering and Autonomous Systems to Conservation and Cultural Heritage. Major research projects from the University benefit society in areas as varied as new vaccine development, agri-food technology, medical imaging for cancer diagnosis, anti-terrorist surveillance, conservation of historic buildings, treatment of insomnia and children's language development.

A multi-disciplinary approach ensures many projects involve experts from across the University's different Schools and Colleges. In 2015/16 the University established the Lincoln Institute of Agri-food Technology (LIAT) to provide additional impetus and focus to its research in this area. In its first year of operation LIAT has secured in excess of £5m of external funding from organisations including Research Councils, Innovate UK and industrial sponsors, working in collaboration with six academic Schools within the University.

Our new Centre for Culture and Creativity provides an intellectual space in which cultural sector organisations and multiple academic disciplines can interact, with a strong emphasis on impact.

Strong Partnerships and Employer Engagement

Lincoln is nationally recognised for our innovative approach to industrial (public, private and third sector) partnership. This has previously been highlighted through the Government's Wilson and Witty reviews, and in 2015/16 we led on the development and publication of the 'Mind the Gap' report examining how universities across the sector can best support industrial collaboration.

Our successful relationship as one of Siemens' global principal partners (alongside the Universities of Newcastle, Cambridge and Manchester from the UK) continues to flourish with the size of their co-location on campus growing this year and a research portfolio funded locally and now through Germany. Alongside this our partnerships continue to mature with organisations with the Lincolnshire Co-operative, particularly as the Lincoln Science and Innovation Park enters the next phase of its development, and e2v Technologies plc whose engagement widens across the skills and research agenda.

Our role as an 'active anchor institution' is critical to the growth aspirations of Greater Lincolnshire. During the year we have worked closely with the Local Enterprise Partnership to create and lead an Innovation Council. In seeking new ways to support and engage SMEs to further the translation of our research and drive regional economic growth, we have secured a £2.1m European Structural and Investment Fund (ESIF) grant to deliver an innovation support programme across Greater Lincolnshire over the next three years. We have worked hard to influence the emerging 'Midlands Engine', playing a key role in their science and innovation audit and establishing a new group of universities, the Midlands Enterprise Universities, to complement this.

Dynamic Engaged People

The University has made significant progress over the last five years. The pace of change in HE is increasing and Lincoln seeks to be ahead of the curve. This requires staff who demonstrate that by working together they can enhance the student experience, deliver excellent teaching and high quality research; taking the University to the next level.

The bi-annual staff survey, carried out during 2015/16 by Capita on the University's behalf, is our key tool to provide the University with the means to regularly measure and monitor organisational performance in relation to a number of 'people' indicators. Based on Capita's data, the University ranked in joint 4th place against 48 other HEIs in relation to being a good place to work. When ranked against all of the 335 other public and private organisations the University is placed in the top 10% of the group.

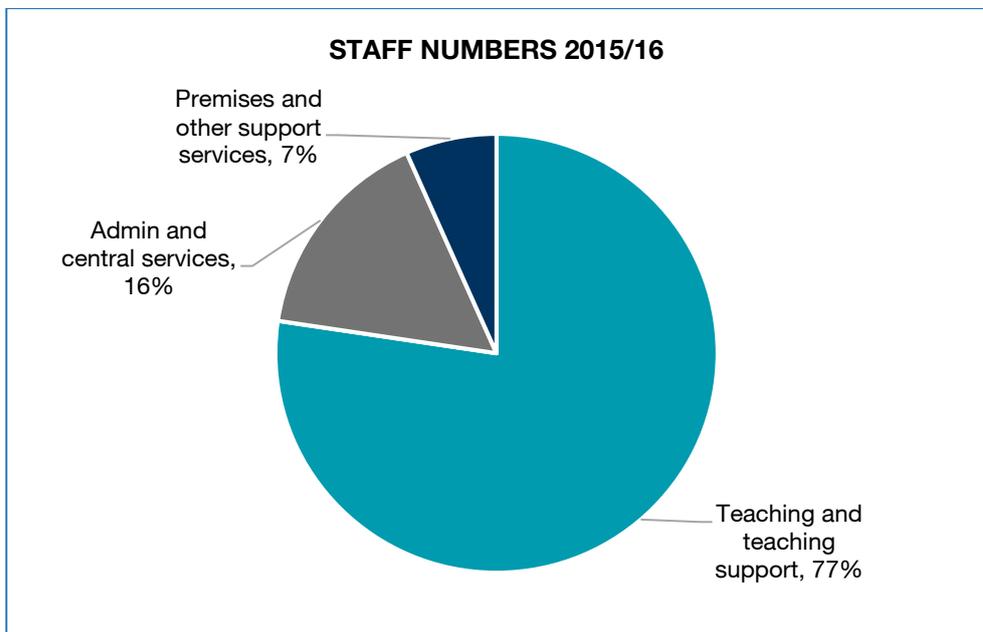
During the year we also developed two sets of minimum academic expectations which establish the core attainment expectations for all academics on either of 'teaching and research' or 'teaching, scholarship and professional practice' profiles.

Strategic report for the year ended 31 July 2016

In the promotions process for 2016, we worked to draw alignment with the teaching excellence agenda, creating a career route through to professorship in order to open up a clearer pathway for those focusing their career in leading on teaching and learning. Matching the research route, this teaching excellence route will require staff to develop an external profile around teaching and pedagogy.

The groundwork to move the academic appraisal scheme to an online system was also laid during the year. The design of the online process now allows us to embed the minimum academic expectations to support the appraisal discussion process, strategically aligning one of our key people processes to continue to drive forward our institutional objectives.

As the University grows and develops so does our workforce with average total staff numbers increasing to 1,446 full-time equivalents during the year compared to 1,368 in the previous year. A breakdown by area is set out in the graph below.



Strategic report for the year ended 31 July 2016

Key Performance Indicators

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

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

Core Principles of Strategic Plan	Objective	Measure of Success
External positioning	Improve external rankings position	League table position
		World rankings position
Excellent teaching and a great student experience	Improve National Student Survey (NSS) results	NSS Q22 – overall satisfaction
	Increase student participation through the Widening Participation Agenda	Young full-time degree entrant from state schools of colleges
		Students from low participation neighbourhoods
	Ensure high levels of completion benchmarked against the sector	Students completing their study year
Non-continuation students		
Graduate success	Increase our levels of graduate employment / progression to further study	Students in to employment and further study
		Students in to graduate employment
Excellent research with impact	A further step change improvement in the Research Excellence Framework (REF)	Staff eligible to be submitted to the REF
	Increase numbers of research outputs, repository depositions and citations	Average number of citations per year
Strong partnerships and employer engagement	Increase the number of work-based learning programmes	Number of work-based distance learning students
	Increase the number of start-up / enterprises	Number of start-ups / enterprises
		Number of sustainable start-ups / enterprises still existing after 3 years
Dynamic engaged people	Developing excellence in teaching	Annual recognition for excellence / innovation in teaching
		Number of case studies per year of excellence / innovation in teaching
	Developing excellence in research	Number of case studies per year of excellent research
	Continuous improvement in service excellence	Number of case studies per year of innovation within our Professional Services
Internal customer satisfaction survey scores		
Financial environment	Ensure financial resilience and sustainability of the University	Total income
		Cash flow as a % of total income
		Ratio of net debt to net assets

Future Prospects

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

The University has ten year forecast plans that ensure sufficient surpluses and cash are generated for investment in research, development strategies and the physical and technological infrastructure. In order to maintain our financial stability, we will need to continue to grow and diversify our income streams, and plan and control cost pressures. We need to do this whilst enhancing our reputation, continuing to build on our successes and ensuring that we continue to invest in our strategic objectives. We recognise, in the current economic climate, the need to develop innovative partnerships and find creative funding solutions and will continue to seek out such opportunities.

Financial year 2015/16 has been another very successful year with sustained income growth, a strong operating surplus and good levels of cash generation allowing us to invest heavily in the infrastructure of the University. Our ambitious capital investment programme is progressing well, with the University's own funds being matched by the European Investment Bank loan funding to deliver capital plans on time and on budget.

Financial year 2016/17 is forecast to be a more challenging year. Whilst total income is still forecast to grow, operating surpluses and cash generation are expected to be lower than 2015/16, as we build up the new Schools and bring the new buildings and facilities in to operation. In addition a further year with no inflation on Home/EU under-graduate fees reduces cash for reinvestment as costs grow with inflation, particularly in areas largely out of the University's control such as payroll taxes and pensions.

Student recruitment for 2016/17 has however been, on balance, very strong. Home/EU under-graduate and post-graduate intakes were particularly encouraging. This has been a result of both internal and external factors, including reputation, development of new Schools and programmes within the College of Science, continual review of both the under-graduate and post-graduate portfolios and changes to post-graduate loan system. The strong Home/EU recruitment has supported the challenges faced in the international market which continues to be very competitive.

Looking further ahead, early indications suggest that the University will achieve a good result in the Teaching Excellence Framework (TEF). It is anticipated that this will create opportunities and bolster both demand and income to allow us to invest further in teaching, facilities and the overall student experience.

Overall, the future prospects of the University are exciting. The completion of the current phase of the campus development will deliver new world-class facilities to support education, research and growth across the region, enabling current and future generations of students to benefit from the latest equipment and laboratories, supporting the University's distinctive student experience and engagement agenda. Whilst 2016/17 will be challenging, growth of the new schools and subject areas, the progression of the Science and Innovation Park, and the opportunities presented by both the changing economic/political climate and the TEF deliver us an excellent platform for the future.

Financial review for the year ended 31 July 2016

Summary and Financial Highlights

Summary

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

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

Financial highlights

- ❖ Total income of £138.6m, up 4.3%
- ❖ Research income of £6.3m, up 4.6%
- ❖ Operating surplus for investment and growth of £8.6m, up 9.6% (see below)
- ❖ Expenditure on academic departments and academic support services of £72.1m
- ❖ Net assets as at 31 July 2016 of £148.4m, 31 July 2015: £149.7m
- ❖ Capital investment 2015/16 of £26.9m, with £101.5m invested over the last five years
- ❖ Cash generated from operating activities of £16.4m, up 43%

Income and Expenditure

Operating surplus

This set of financial statements has been prepared, for the first time, in accordance with FRS102 (see Statement of Accounting Policies on pages 29-33 for further detail). Comparative results have also been restated to comply with the new standard.

As a consequence of this, the statutory reported 'Surplus before tax' is much more volatile and less comparable, both over time and across the sector.

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

Year ended 31 July	2016 £000	2015 £000
Surplus before tax	7,707	10,485
Less capital grants recognised in year	(5,965)	(3,524)
Add net interest charge on pension schemes	1,402	1,519
Add/less fair value loss/(gain) on financial instruments	4,895	(2,712)
Add staff restructuring costs	303	1,042
Add USS deficit recovery charge	237	1,017
Operating surplus	8,579	7,827
Depreciation	7,595	6,962
Interest payable on bank loans	2,738	2,529
Interest received on bank deposits	(356)	(274)
Adjusted EBITDA	18,556	17,044

Financial review for the year ended 31 July 2016

Operating surplus has increased by 9.6% compared to last year, from £7.8m to £8.6m. This surplus has supported the capital investment programme enabling the University to deliver a significant number of new and enhanced facilities. These are set out in further detail later in this section.

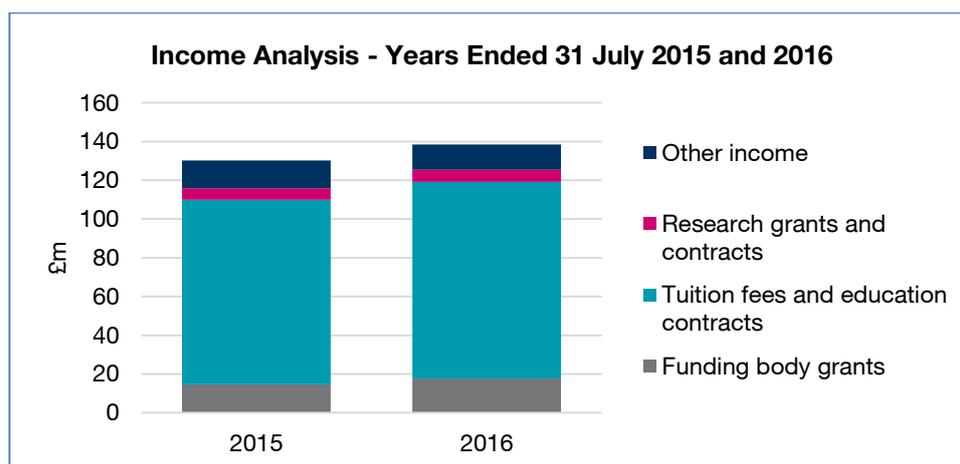
Non-operating items

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

- The table above starts at the 'Surplus before tax' as set out on the income and expenditure statement on page 34. This therefore excludes the market adjustments, being the change in fair value of investment property and the actuarial gains and losses on the pension scheme. These are non-operational and, to a significant extent, out of the University's control.
- In accordance with FRS102, capital grants are now recognised within income once any associated performance criteria have been met. These grants can therefore be both large and sporadic and have been excluded from the operating result.
- The interest charge on the pension schemes have been excluded. This mainly comprises a charge related to the net deficit in the Local Government Pension Scheme and is considered to be non-operational.
- The gain or loss on financial instruments have been excluded. This is driven by changes in the financial markets and is outside of the University's control.
- Whilst staff restructuring is an ongoing activity of any organisation, these costs have also been excluded from operating surplus for comparability, due to their varying size.
- A new USS pension scheme recovery plan was formally approved in 2014/15 which resulted in a one-off charge to the consolidated statement of comprehensive income and expenditure. This has been excluded on the basis that it was a one-off material item as has the annual charge due to changes to the discount rate which is outside the University's control.

Income

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



Tuition fees and educational contracts includes both Home/EU and International students. International tuition fee income accounts for 12.2% of the total (2014/15: 14.1%). This has reduced year-on-year largely due to the increasing competition in the global market and the challenges faced in attracting international students.

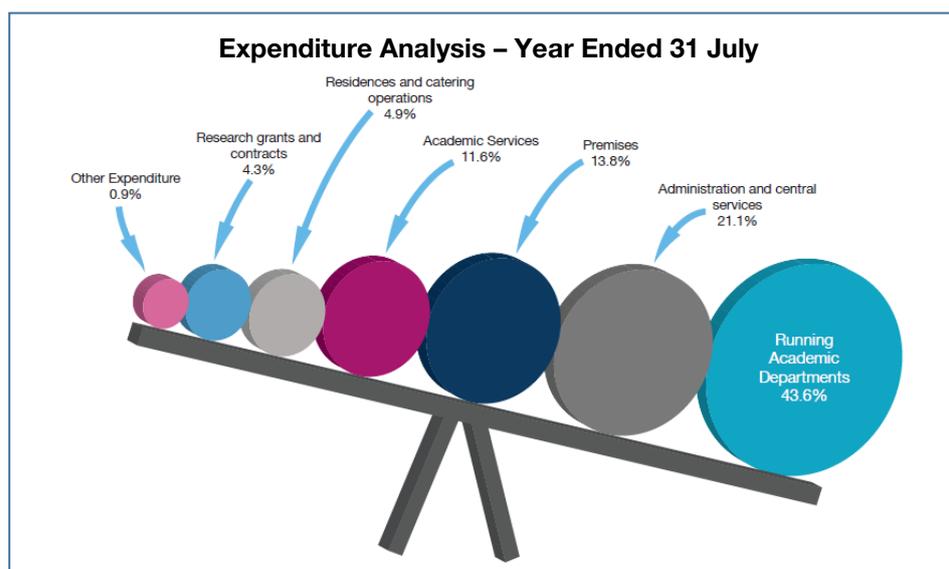
Financial review for the year ended 31 July 2016

Funding body grants includes £6.0 m (2014/15: £3.3m) in respect of capital funding received and recognised in the year. This was primarily from HEFCE to support the development of STEM subjects at the University.

Other income includes revenues from residences, catering, conferences, property rental, consultancy and other sundry amounts

Expenditure

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



Academic expenditure accounts for 55.1% (2014/15: 55.0%) of total expenditure. This includes student support services such as the library and student IT systems.

The University's total expenditure, excluding interest and other finance costs, increased by 2.9% between 2014/15 and 2015/16. All costs have been closely monitored and controlled with the increased student income invested primarily in improving the student experience and student facilities. Substantial investment has been made in the Colleges supporting the research-led teaching agenda, along with significant levels of increased bursaries and scholarships.

Balance Sheet

Total net assets

Total net assets are £148.4m, which is a decrease of £1.3m compared to the prior year restated values. The reduction is in large part due to the increased deficit in respect of the Local Government Pension Scheme, which more than off-sets the surplus for the year. Further detail on the pension deficit is set out later in this section.

Total net assets have increased by approximately £65m compared to the old UK GAAP basis, as reported in last year's audited statutory accounts. This increase is predominantly a result of the revaluation of certain fixed assets on the transition to FRS102. This is set out in further detail in the Accounting Policies and note 25 of these financial statements.

Fixed assets

Fixed assets have increased to £238.3m (2015: £218.9m), with capitalised expenditure during the year of £26.9m. Key capital investments include:

- the completion of phase one of the Isaac Newton Building, and the commencement of phase two;

Financial review for the year ended 31 July 2016

- the commencement of the construction of the Sarah Swift Building;
- the commencement of the Cygnet Wharf 442 bed student accommodation development; and
- the continued substantial investment in information technology as part of a four-year programme to renew multiple key business systems.

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

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

Net current assets

Net current assets have increased from £17.5m to £22.4m.

Cash and current asset investments (bank deposit accounts) of £43.7m were particularly high at the year-end due to the levels of capital expenditure activity occurring over the summer. Three major capital projects, as set out above under fixed assets, were in full progress in mid-build stage. The University therefore needed to manage working capital to ensure that sufficient liquid funds were available to meet these, and all other liabilities, as they fell due.

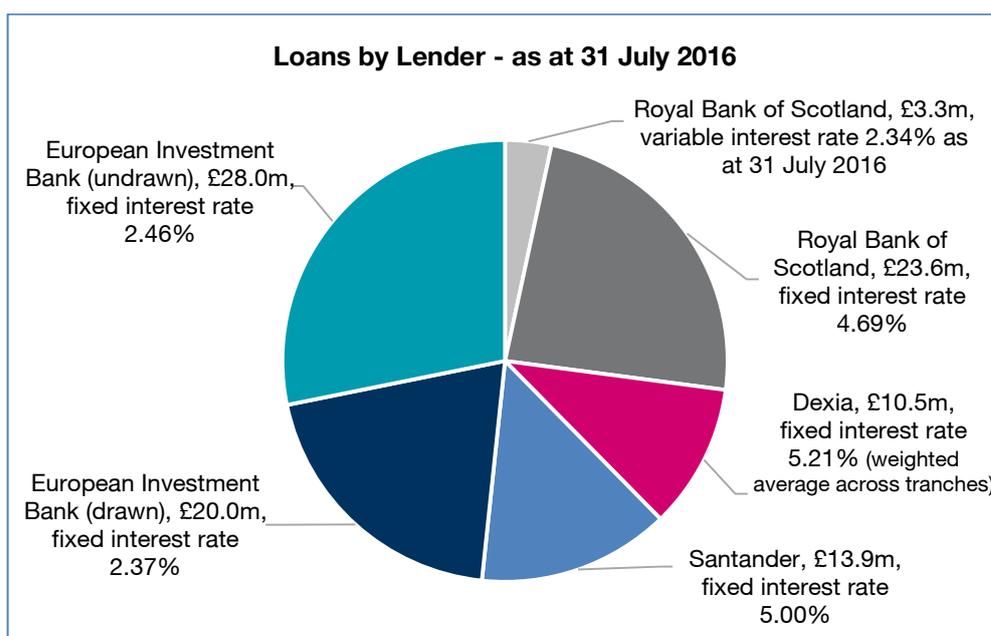
Long term liabilities

The University's long term liabilities primarily comprise bank borrowings. As at 31 July 2016 borrowings amounted to £71.3m (2015: £53.2m).

During the year the University drew down the first £20m tranche of the EIB funding to support the current capital investment programme.

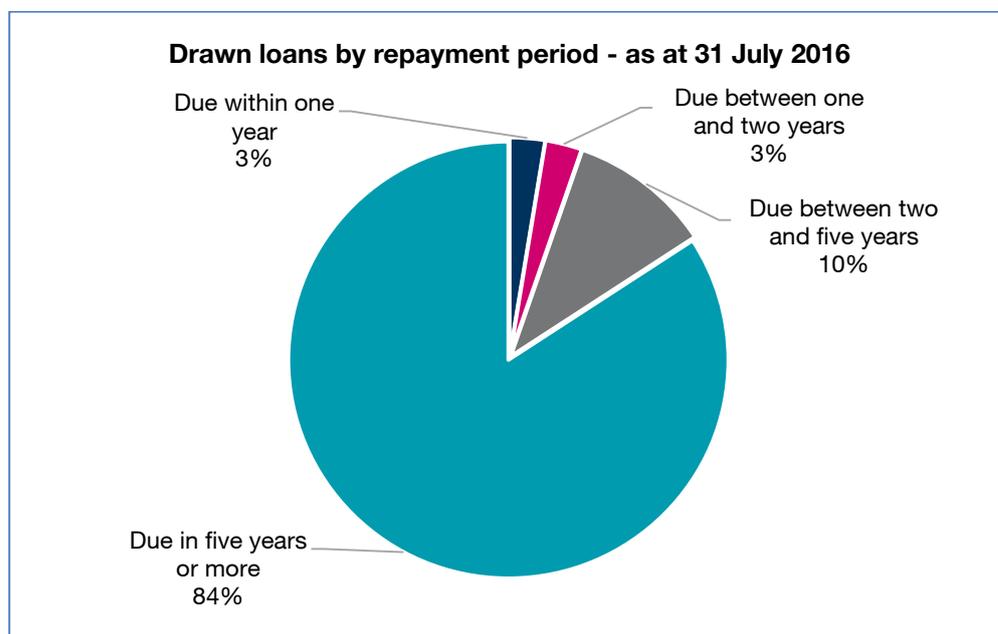
In addition, the University also drew down the final tranche of the Royal Bank of Scotland plc (RBS) facility of £0.6m to fund the final elements of the backlog refurbishment works at The Lincoln Courts student accommodation.

The graphs below set out further detail on the composition of borrowings by lender, interest rate, and repayment profile.



Financial review for the year ended 31 July 2016

As at 31 July 2016 the University had fixed the interest rate on 95.3% of drawn down borrowings and 96.6% including all undrawn amounts.



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

Pension liability

The pension provision on the balance sheet reflects the University's net liability in respect of the Local Government Pension Scheme (LGPS), along with the University's contractual commitment to fund past deficits within the Universities Superannuation Scheme (USS).

The LGPS net liability has increased to £45.3m (2015: £36.4m). The provision is based on estimates provided by the University's actuary in accordance with FRS102. The deficit position at the year-end is proportionately in line with most other participants in the scheme.

The funding position has deteriorated during the year primarily as a result of the yield on long dated gilts reducing. Gilt yields are used to estimate the current level of pension scheme liabilities and reductions in gilt yields increase the current value of the liability.

The provision relates to the shortfall of assets in the scheme required to fund future pension liabilities, and does not relate to any significant payment liability arising in the short or medium term.

The University's current employer contribution rate is 28.1%. This reflects 17.8% in respect of the future service rate, and 10.3% deficit recovery repayment. The deficit recovery repayment is based on a 15-year recovery plan at the date of the last full formal actuarial valuation, 31 March 2013. The recovery plan will be updated following the results of the 31 March 2016 valuation, which are expected in early 2017. The University does not anticipate making lump sum payments in to the scheme, and will endeavour to reduce the deficit through increased contribution rates, which have been factored in to the University's long term financial plans.

Financial review for the year ended 31 July 2016

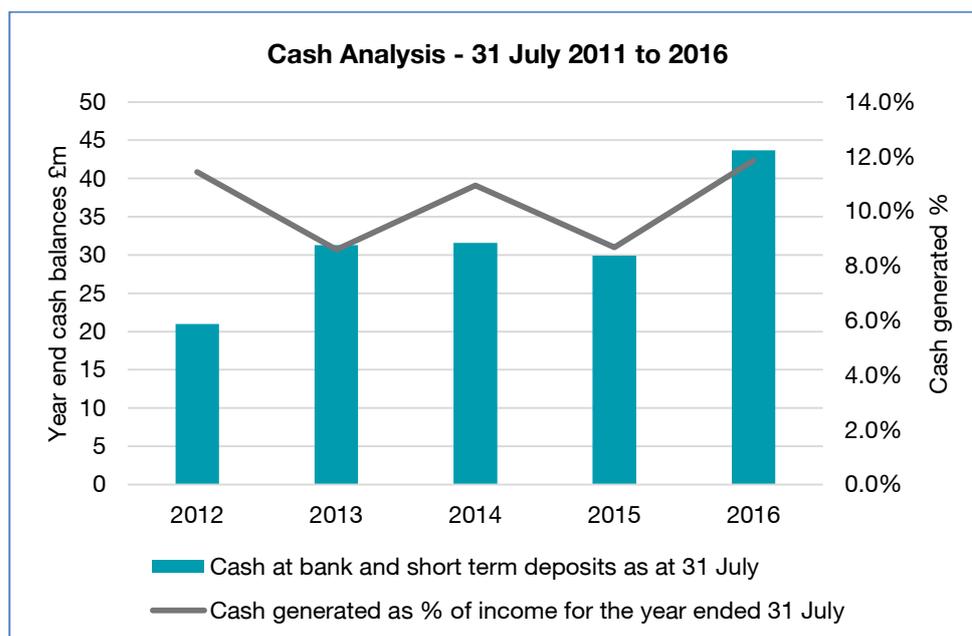
Cashflow

Cash generated and cash balances

The consolidated cashflow statement shows the net cash inflow during the year from operating activities was £16.4m (2015: £11.5m). Cash at bank and short term deposits increased from £30.1m to £43.7m.

Cash generated from operating activities was 11.9% of total income (2015: 8.7%).

The graph below sets out cash balances and cash generated as a % of income over a five year period.



As previously noted, cash balances were particularly high at the current year-end due to the levels of capital expenditure activity occurring over the summer period.

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

As at 31 July 2016 100% (2015: 100%) of cash, cash equivalents and short term investments was deposited with UK banks and building societies. These banks and building societies met the three major credit rating agencies (Moody's, Standard & Poors and Fitch) minimum ratings as determined by the Treasury Management Policy.

Financial review for the year ended 31 July 2016

Treasury Management and Financial Instruments

Treasury management

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

The University's treasury activity is routinely reported to the members of the Board of Governors and is subject to review by the internal auditors.

Financial instruments

The University's financial instruments comprise cash at bank, deposits repayable on demand, fixed term deposits and both fixed and variable rate loans repayable to banks. In addition the University has entered in to a forward fixed rate agreement with the EIB in relation to undrawn borrowings.

The sole purpose of these financial instruments is to provide finance for the University's operations.

The main risks arising from the University's financial instruments are interest rate, security and liquidity. The risk is considered to be effectively managed through the University's Treasury Management Policy.

As previously noted, as at 31 July 2016 the University had fixed the interest rate on 95.3% of its drawn borrowings and 96.6% including all undrawn amounts. All interest rate fixes are arranged directly with the lender.

Further analysis of the University's drawn borrowings at 31 July 2016 is set out in note 18 of these financial statements.

The University does not have any other hedges or derivatives.

Going Concern and Liquidity

The University ended the year with cash resources of £43.7m and bank borrowings of £71.3m, leaving net debt standing at £27.6m. All of the University's external funding is long term in nature, with 96.4% repayable beyond one year, and 78.0% repayable beyond five years.

The University regularly reviews its forecasts of cash flows and believes that it will continue to comply with all bank loan covenants. Current forecasts, taking into account reasonable sensitivities in relation to key risks, show that the University can operate within its current facilities and available headroom.

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

Public benefit: The University as a charity for the year ended 31 July 2016

Public Benefit: The University as a Charity

Mission

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

As discussed earlier in this report, the University has adopted a new Strategic Plan for 2016-2021. In formulating this new plan, we reflected on and debated the articulation of our Mission, as stated above, and concluded that it is still fit for purpose.

The Plan commits to building on our reputation for excellent student engagement which prepares our graduates for their future, and to working closely with our communities to ensure valuable impact from our research to make a meaningful contribution to our world.

The University will develop and support research that enhances our futures, is purposeful and leads to improvements in society. We will also address research challenges from our locale that have global significance such as, but not exclusively, Personalised Health, Agri-food Technology, Creativity, Digital Arts and Digital Archives, and Rural Communities.

Charitable status

The University of Lincoln is a Higher Education Corporation and, as such, is an exempt charity with the charitable objects of providing higher education and further education, and of carrying out research and publishing the results. Since 1 June 2010, the University has been regulated by HEFCE as the principal regulator of English HEIs as charities. The members of the Board of Governors are the trustees of the charity. The role of the Board and the responsibilities of the Governors are described in the statement of corporate governance and internal control later in this section. In exercising these responsibilities, the Governors have had due regard to the Charity Commission's guidance on public benefit.

Delivery of charitable objectives

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

The Strategic Report provides a number of 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 are set out below, including further specific details by College.

The University was a lead partner in the Frequency Festival of Digital Culture 2015, the third biennial Frequency Festival celebrating digital culture with exhibitions and performances infusing the city's medieval streets and taking in venues across the city from medieval churches, the Drill Hall, Lincoln Castle and the University. The University's College of Arts was delighted to continue working with the Festival Directors, and with partners across Lincoln, to showcase extraordinary pieces of work against the rich and historic backdrop of the city. This year was one of celebration for Lincoln as home to one of the four surviving original Magna Carta documents, created 800 years ago, being the landmark document for civil liberties and individual rights. This inspired the theme of Liberation for the city-wide festival.

Public benefit: The University as a charity for the year ended 31 July 2016

College of Arts

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

The College, home to Siren FM, our 24/7 communication radio station, won East Midland Station of the Year in 2014 and 2015; New Media Lincs was set up as a social enterprise to support local charities, schools and arts organisations to plan for and negotiate any media production needs they have, and to engage students in the creation of high quality media products that help promote their work. The School of English & Journalism runs a School Newspaper Project, through which Lincolnshire schools benefit from academic and industry experts visiting to help pupils partake in the practice of newspaper journalism. The School of Film & Media co-ordinates a 'Radio in Schools' project each year, supporting final year undergraduates to work with up to ten Lincolnshire schools, enabling children and young people to create radio productions for broadcast at SIREN The Media Archive of Central England (MACE), which contains the recorded media history of our region, is based within the College.

The Lincoln Performing Arts Centre (LPAC) runs a wide range of engagement activities aimed at encouraging new audiences to participate in the arts. The free weekly drop-in session called "Little Pacs" has been established to host developmental drama activities for pre-school aged children and remains popular. The programme of events in LPAC is carefully designed with the wider community in mind and features challenging contemporary theatre alongside more mainstream offerings and gala events such as the annual Christmas show. LPAC links with the Lincoln School of Fine & Performing Arts, and the two bodies combine to send a company of students to the Edinburgh Fringe Festival each summer, with three plays performed during August 2016.

The School of English and Journalism engaged in a number of public events during the year. Two conferences run from within the School (What Happens Now and the post-graduate conference for the Association for the Study of Literature and the Environment) included public readings as well as a round-table discussion on climate change. March-August 2016 also saw the third series of the Older Readers' 21st Century Literature book group, bringing together just over a dozen mature readers for discussions on the university campus. Siren FM continues to form an important part of the School's local engagement programme. As part of a well-established work experience programme, there have been 35 formal week-long work experience placements with students from Lincolnshire schools, as well as four Duke of Edinburgh placements and five mature volunteer roles during the same period. The station also provides coverage of local events such as the Arts Council England-funded Charandas Choir in June 2015 and the Lincoln LGBT Pride event in October 2015.

The School of History & Heritage hosted two very successful, externally-funded projects which engaged the public. An ACE-funded investigation into attitudes to heritage in Lincolnshire (September 2015 to June 2016, directed by Matthew Cragoe and Carenza Lewis) enabled thousands of members of the public to engage with heritage in the county and helped Lincolnshire County Council develop its heritage strategy; and an AHRC-funded project led by Carenza Lewis and Ian Waites (February to November 2016) involved residents of Council Estates in Gainsborough in archaeological excavation: an exhibition at Somerset House disseminated the outcomes of the project to a wider audience (estimated 15,000). Meanwhile, the International Bomber Command Centre digital archiving project, supported by the Heritage Lottery Foundation, is now well underway, taking oral testimony from veterans of Bomber Command and their families across the county and country, and scanning and archiving family heirlooms and artefacts that pertain to the air war. A selection of these objects and related items, plus veteran portraits, have been curated in an exhibition that was presented to the public at the University of Lincoln in July 2016 and will be reinstalled in November 2016.

Finally, the College supported and hosted the latest iteration of our major Frequency Festival of Digital Culture, funded by the Arts Council, City Council and Foyle Foundation.

Public benefit: The University as a charity for the year ended 31 July 2016

With free entry to digital installations, events and performances across the city for 10 days over the October half term 2015, including in heritage and other public spaces, thousands of people from Lincoln and beyond were able to experience new digital artwork on their doorsteps, including a spectacular projection mapping commission that was created with the involvement of Lincoln citizens, students and graduates. An interactive multimedia platform extended the life and reach of the Festival which served as the conclusion of Lincoln's Magna Carta 800th anniversary celebrations.

College of Science

The College of Science has continued to conduct world-leading research in its areas of focus, working collaboratively with external partners from within industry, higher education and other sectors on a global scale. The College now houses eight Schools focusing on the key STEM subject areas, and has recently introduced a new School of Geography, which will welcome its first students in September 2017. The School's research will focus on investigating key issues in global development, climate and environmental issues.

In the last year, the College's well-established research groups and centres have published research findings including:

- the use of technology in helping the elderly live fuller lives;
- the development of games designed for young wheelchair users;
- the success rates in organ transplants;
- the treatment of different cancers using a range of approaches;
- a study on our relationships with our pets and how they might assist children with autism;
- the welfare of our farmed animals;
- the control of carbon emissions;
- transforming our food and drink industries;
- addressing global agricultural challenges; and
- developing "smart" keys to enhance security.

The recently established Lincoln Institute for Agri-Food Technology (LIAT) aims to secure new innovative solutions for the problems facing the UK's largest and oldest industry, the agri-food sector. Solutions are developed by integrating the cross disciplinary expertise of the University, especially within the College of Science's Schools of Engineering, Life Sciences, Computer Sciences and the National Centre for Food Manufacturing. Key note projects include the development of state of the art robotic harvesting systems, novel sensors, automation systems, the use of big data but also simple projects on upgrading the performance of domestic refrigeration systems. LIAT helps the University deliver impact for the largest industrial sector within the Lincolnshire economy. Since its launch last year, LIAT has expanded its cooperative links with agri-food stakeholders and now houses a growing cohort of funded PhD studentships. These projects provide focused support for the agricultural and food sectors that are critical to the regional economic welfare and global food security.

Over the last year there have been major research breakthroughs within the College and the co-founded Lincoln Institute for Health, all of which have been widely disseminated via the press and social media. For instance, there is a growing team of researchers with a focus on diabetes research including a new funded study into how increased levels of glucose in diabetic patients can contribute to the progression of kidney disease.

Other research is moving forward our understanding of antimicrobial resistance, robotics in healthcare environments, medical imaging, computational modelling and the health benefits of domestic animals, all of which will have positive economic and societal impacts.

During 2015/16, the College has engaged in public engagement events and activities including Public Benefit Lectures, the University's LiGHTS Nights Event and Grantham's Gravity Fields Festival. The links with the local University Technical College (UTC) have been significantly strengthened by the appointment of a senior College academic to the UTC's Board of Governors, and a number of visits and collaborative events taking place.

Public benefit: The University as a charity for the year ended 31 July 2016

College Social Science

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

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

- a student-run "law clinic" which provides legal support to staff and student members of the University community;
- the 'Streetlaw' initiative that gives students the opportunity to provide legal education classes as part of GCSE and A level programmes in schools and colleges; and
- various public lectures on wide-ranging public interest topics.

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

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

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

- Local Food in Lincolnshire: Improving Access to Healthy and Affordable Food for all;
- Providing Weight Management via the Workplace;
- Implementing a Community based Obesity Prevention Programme: Experiences of Stake Holders in the North of England; and
- Evaluating Lincolnshire's Exercise Referral Obesity Data.

In addition, the School has begun consultancy work with MacMillan, considering people's experiences of exercise during cancer, and also works with Slimming World, evaluating online support.

All staff of the School of Social & Political Sciences are research active and are working on a wide range of topic areas including e-petitions, intelligence and security services, single parent family policy, young people and politics, citizenship, pedagogical issues such as assessment and feedback, and area studies such as Chinese and Russian politics.

In REF 2014, almost all of the School's research was judged to be of an internationally recognised standard, with close to half being internationally leading and a noticeable proportion at a world class standard.

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

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

Public benefit: The University as a charity for the year ended 31 July 2016

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

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

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

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

Lincoln International Business School

The Lincoln Business School separated from the College of Social Science in April 2016 to create the Lincoln International Business School (LIBS). This move creates opportunities to target its resources and strategy towards the contribution of the local regional economy. This is facilitated through the development of local stakeholders with support from the College Advisory Board.

In addition LIBS have built their research capabilities through the attraction and development of research-oriented academic staff, in order to build research partnerships with businesses and other universities on a global basis.

There are six research groups in the college, one of which, Lincoln Economics and Finance (LEAF), led by Professor Marian Rizov, has been developed in the last year. LEAF research covers issues such as poverty and corruption, the effect of the minimum wage and housing dynamics as well as more conventional financial analysis.

The remaining five research groups are the:

- Visitor Economy Research Group
- Regional and Rural Enterprise Research Group
- Marketing and Supply Chain Research Group
- Community Organisation Research Group
- Responsible Management Research Group,

A strong set of themes running through all of these include responsibility, sustainability, ethical behaviour and the development of rural areas and businesses. An example of this is the impact and limitations of broadband in rural areas by small businesses locally whereby practical advice and assistance has been provided.

More recently the undergraduate programmes have been revalidated to include professional practice which has improved in structure and engagement with the business community. Equally the LIBS senior leadership programme has helped to support local businesses building leadership capacity.

Public benefit: The University as a charity for the year ended 31 July 2016

LIBS has regularly contributed to the Lincolnshire Quarterly Economic Survey, providing a topical seminar on EU Referendum and agricultural economy as well as expert comments from Dr Gary Bosworth and Dr David Charles on rural entrepreneurship and strength of economy respectively.

Business innovation and incubation

Through Sparkhouse (the on-campus business incubation centre) and the Think Tank innovation centre, the University provides a supportive environment to start-up and growing businesses established by our students, staff, graduates and the regional economy. To date we have supported over 400 businesses, including 270 new businesses and helped create more than 433 new jobs; many of these businesses have been started by the University's own graduates, relating in particular to the innovative use of technology, including graphic design, online marketing and social media.

Over the last year we have continued to develop the Student Enterprise Service, providing entrepreneurial students and graduates with the guidance and resources they require, turning their business ideas into realities and helping them to become self-employed. Dedicated to offering easily-accessible support, Student Enterprise provides a forum for both students and graduates where ideas can thrive, problems can be solved and where skills can grow. Responding to demand, we launched the Lincoln Entrepreneurial Society, which meets monthly, led by students and supported by the Business Incubation and Growth team. The informal meetings have guest speakers and networking to encourage peer learning, networking and cross collaboration.

In 2015/16 we engaged with 226 individual students, 113 attended training and development workshop and 18 students went on to start their own businesses with our support. During the year, Sparkhouse and Think Tank have supported 45 tenants and 63 virtual tenants as well as helping over 42 new businesses to start, including 18 Graduate start-ups, creating over 67 new jobs. Our services are tailored to individual needs with access to accredited incubation support and advice, and training and development workshops helping businesses to thrive and achieve their very best. The Think Tank also held its second Innovation Conference this year attracting 151 SMEs, encouraging businesses to think differently, try new ideas and feel inspired to make a difference.

Collaboration with industry

The University of Lincoln's pioneering approach to industry engagement has been widely celebrated.

Lincoln was cited in recent government-commissioned, independent reports by Sir Andrew Witty and Sir Tim Wilson as an example of successful university-industry partnerships. The University won the Lord Stafford Award for Open Collaboration in 2011 and the 2012 Times Higher Education Award for Outstanding Employer Engagement Initiative for its partnership with Siemens in developing the School of Engineering. The University of Lincoln was also shortlisted for the award of Entrepreneurial University of the Year in the Times Higher Education Awards 2015.

Lincoln is one of only 16 universities around the world to hold Siemens Global Principal Partner status. The Research and Development Framework pioneered by the University and Siemens provides an innovative approach to collaboration on producing new technologies and is now being rolled out to other partners.

In September 2016, the Chief Executive of Siemens UK, Juergen Maier, visited the University's main Brayford Campus to open the Engineering Hub extension. Vice Chancellor, Professor Mary Stuart, welcomed this event as another important milestone in the resurgence of science and engineering in Lincolnshire. Juergen Maier said at this event: "It is a pleasure and an honour to open these new facilities. They highlight the enormous progress that has been made as part of the special partnership between Siemens and the University of Lincoln. It is truly remarkable what has been accomplished here, in terms of training excellence, research and development, and academic achievement. Lincoln is a very special place for engineering because while everyone else is talking about the development of industrial strategy in the UK, when you come here you can actually see it in action. It is happening right here in Lincoln."

Admissions Policy and Student Support

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

In common with other HEIs in England, the University of Lincoln charges tuition fees which, for UK/EU students, are subject to statutory regulation through the Office for Fair Access (OFFA). For the academic year 2015/16, the standard fee for all new full-time undergraduate UK/EU students was set at £9,000, in line with the majority of English universities. Most of these students are eligible for UK government funding to pay their tuition fees via a tuition fee loan and for maintenance support, based on a means tested assessment.

The level of tuition fees charged by the University for 2015/16, which was approved through OFFA, was linked to the provision of the University of Lincoln Support Package for students from low income backgrounds for every year of study. This package of support meant that all eligible students (approximately one in two of the University's 2015/16 entrants) received direct financial support for the first year of their course, with the same support being available throughout their course for future years.

The Earl of Yarborough Scholarship for Chemistry, the Vice Chancellor's Scholarship and the University Excellence Scholarships are provided in addition to the OFFA scholarships and bursaries noted above. The wide range of support packages are designed to ensure, as far as possible, that all students can benefit from higher education, regardless of background or financial circumstance. Our aim is that nobody should be deterred from applying to the University of Lincoln, or considers leaving their course, due to financial worries.

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

The University offers its students a comprehensive support package, including academic study skills, careers, advice, financial support, sports and exercise facilities, health and counselling services and specialist assessment and support for students with disabilities.

Trustees' Expenses

No members of the Board receive any payment for the work they do as Governors or as trustees, but reasonable expenses (chiefly for travelling and subsistence, and attendance at conferences and specialist training events or other external meetings on behalf of the Board) are reimbursed. For the academic year 2015/16, a total amount of £6,000 was paid in respect of claims made by ten Governors. This figure represents the reimbursement of out-of-pocket expenses by the Trustees as members of the University governing body in attending meetings and other events, primarily travelling costs. Hotel accommodation, meals and associated costs relating to Board meetings are organised centrally by the University Secretariat and such costs are not included.

The governing body includes members of the University staff who are paid as employees but who receive no supplementary payment for trusteeship. There were no payments in the year to any Governor for services provided to the University. Note 7 to these financial statements summarises relevant transactions between the University and organisations in which members of the Board of Governors have or may have an interest.

Statement of corporate governance and internal control for the year ended 31 July 2016

The University of Lincoln is an independent institution, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in its Instrument and Articles of Government. The Board of Governors is the University of Lincoln's governing body, responsible for matters including the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board has a majority of independent members, chosen in accordance with the criteria contained in the legislation. The chair is elected from among the independent members. The Board also includes co-opted members and members appointed from the University's staff and the student body. The Vice Chancellor of the University, Professor Mary Stuart, is a member of the Board. Conscious of the need for succession planning and refreshment of its membership, the Board undertook a search for new members during the past year and appointed two new Governors, bringing fresh talent to the governance of the University. More information about the Board and its Members can be found at: <http://lincoln.ac.uk/home/abouttheuniversity/governance/>.

Responsibilities of the Board of Governors

The HEFCE Memorandum of Assurance and Accountability emphasises the governing body's "ultimate responsibility that cannot be delegated for overseeing the HEI's activities, to determine its future direction, and to foster an environment in which the HEI's mission is achieved". The Higher Education Code of Governance published by the Committee of University Chairs (CUC) states that the governing body of a university must be unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit. The governing body role is set out in more detail in a Statement of Primary Responsibilities of the Board of Governors, based on the Articles of Government and on guidance from the CUC, which is published on the University's website.

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

Corporate Governance

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The Vice Chancellor, as chief executive, is the head of the University and has a general responsibility to the Board of Governors for the organisation, direction and management of the institution, including the development and delivery of the institutional strategy, the identification and planning of new initiatives and the shaping of the institutional ethos. The Deputy Vice Chancellors and the senior academic and professional staff all contribute in essential ways to these aspects of the work, but the ultimate responsibility for approval of the strategic direction, institutional character and financial sustainability rests with the Board of Governors.

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

Between 1 August 2015 and 31 July 2016, the Board of Governors met on eight occasions. It also held a Strategy Day, together with the Senior Management Team, focusing on the CUC HE Code and on the five core principles of the University's Strategic Plan for 2016-2021. The Board also has sub-committees and task-and-finish groups. The Nominations Committee met three times during 2015/16, and made recommendations to the Board about the appointment and reappointment of Members of the Board and its committees. The Remuneration Committee, whose responsibilities include reviewing the performance and determining the remuneration of the most senior staff, including the Vice Chancellor, met on two occasions, considering and approving senior staff reward and paying special attention to developments affecting their pension arrangements. The Audit Committee met four times; its role includes the consideration of detailed reports from internal auditors, with recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers the annual financial statements and external auditor's formal opinion, prior to their presentation to the Board of Governors. 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 Board of Governors' Further Education Oversight Group met on two occasions during 2015/16. The Board also established a Financial Sustainability Working Group, which met for the first time in May 2016.

The University of Lincoln Court, which was set up in June 2011 in recognition of the part played by the people and businesses of Lincolnshire in the establishment of the University, brings together major figures of the region and

Statement of corporate governance and internal control for the year ended 31 July 2016

beyond in business, education, arts and the professions who have a serious interest in the University and its future, and who can act as ambassadors and advocates of the institution in many wider forums. The Court met in June 2016 presided over by the Chancellor, Lord Adebowale of Thornes CBE.

Internal Control

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

The approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover business, operational, reputational and compliance risk as well as financial risk. The system represents an ongoing process designed to identify the principal risks to the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks, and to anticipate and manage them. This process has been in place for the period from 1 August 2015 to 31 July 2016 and up to the date of approval of the audited financial statements.

The role of the Board of Governors in relation to risk is at overview level, and Governors are not responsible for managing risk at operational level. The Audit Committee plays a key role in ensuring the fulfilment of the Board's responsibilities. On behalf of the Board, the Audit Committee monitors the effectiveness of risk management processes and policy development. The Board receives an annual report from the Audit Committee which reviews and comments on the adequacy and effectiveness of the University's risk management, control and governance arrangements; processes for promoting value for money through economy, efficiency and effectiveness; the management and quality assurance of data submitted to funding bodies; the work of the internal and external auditors; and other audit matters.

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

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

The Audit Committee has continued its active oversight of University risk management, receiving reports from the Director of Planning and Business Intelligence (the department with lead responsibility for risk management), following review and re-scoring of the high level risk register by the Senior Management Team in November 2015 and June and November 2016. As part of the risk review process, each risk area is further broken down into lower sub-risks representing contributing factors to the high level risks. This approach ensures that risk assessment and internal control are embedded in ongoing operations, and that monitoring at all levels is undertaken effectively. Additionally, risks are categorised as either operational risks (those that could mean the discontinuance of the institution) or strategic risks (those centred around the University not achieving its ambitions).

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

Recognising the importance of keeping risk management under scrutiny between these detailed biannual reviews, the Audit Committee agreed that, from 2015/16, it would invite senior 'risk owners' to attend some of its meetings to discuss in more detail certain entries on the high level risk register, and how the major risks were being managed

Statement of corporate governance and internal control for the year ended 31 July 2016

and mitigated. In April 2016, the Committee received a report from the Deputy Vice Chancellor 'risk owner' for the risks relating to international student recruitment.

Review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the members of the Executive who have responsibility for the development and maintenance of the internal control framework; and by comments made in the external auditor's annual report. The Audit Committee considers each year at least one report on risk management by the internal auditors. In October 2015, the Committee discussed KPMG's internal audit report, which confirmed 'Significant Assurance with minor improvement opportunities'. A year later, in October 2016, the Committee considered the most recent internal audit report, which confirmed that 'the system of internal control, risk management and governance provides significant assurance'. KPMG were pleased to note that they had not identified any areas for improvement, and stated that 'there is significant buy in to the risk management process at a local level, and risk management is embedded within the University's procedures to such a degree that it is seen as an important part of the University's procedures. We note that the University's central risk management process is mature and well designed to manage the University's risk'. The Audit Committee commended the Executive and staff of the institution for achieving these high standards.

The principal results of risk identification, risk evaluation and the management review of their effectiveness are reported to, and reviewed by, the Board of Governors. The Board received reports on risk management, and the re-scoring of the high level risk register, in November 2015 and July and November 2016. Each November, the Board also considers the Annual Report of the Audit Committee, prior to the approval of the previous year's audited financial statements.

Statement of responsibilities of the Board of Governors for the year ended 31 July 2016

The Board of Governors is the principal financial and business authority of the University, charged with ensuring that proper books of account are kept, with approving the annual budget and financial statements, and with maintaining overall responsibility for the University's assets, property and estate. The Board approves financial statements for each financial year, prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, and other relevant accounting standards; and which give a true and fair view of the University's state of affairs and of the surplus or deficit and the cash flows for that year.

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

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

The Board of Governors has taken reasonable steps to:

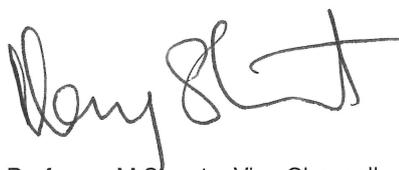
- ensure that the funds from the Higher Education Funding Council for England, and the Skills Funding Agency are used only for the purposes for which they have been given; and in accordance with the HEFCE Memorandum of Assurance and Accountability (and any other conditions which HEFCE may from time to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

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

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



Mr H Biddle – Chair of the Board



Professor M Stuart – Vice Chancellor

Independent auditor's report to the Board of Governors of the University of Lincoln for the year ended 31 July 2016

We have audited the financial statements of the University of Lincoln for the year ended 31 July 2016 which comprise the statement of accounting policies, the consolidated statement of comprehensive income and expenditure, the consolidated and university statement of changes in reserves, the consolidated and university balance sheets, the consolidated cash flow statement and the related notes 1 to 25. 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 2015.

This report is made solely to the Board of Governors in accordance with the Memorandum of Assurance and Accountability effective August 2014. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board 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 Statement of Responsibilities of the Board of Governors, the Board of Governors is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the University's affairs as at 31 July 2016 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 2016 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2016 has been applied in accordance with the University's statutes and, where appropriate, with the memorandum of assurance and accountability and with the funding council; and
- the requirements of HEFCE's accounts direction have been met.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK
Date: *24 November 2016*

Statement of accounting policies for the year ended 31 July 2016

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 new Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

Joint ventures are accounted for using the equity method.

Income recognition

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

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

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

(a) Grant funding

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

(b) Donations and endowments

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

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

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

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

- Restricted donations - the donor has specified that the donation must be used for a particular objective.

Statement of accounting policies for the year ended 31 July 2016

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

(c) Capital grants

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

Accounting for retirement benefits

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the Teachers Pension Scheme (TPS) and the East Riding Pension Fund (ERPF). All schemes are defined benefit schemes which are contracted out of the State Second Pension (S2P).

The USS is a multi-employer pension scheme and the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. The USS is therefore accounted for as a defined contribution retirement benefit scheme. The USS is a funded scheme and the assets are held in a separate fund administered by the trustee. The scheme is valued every three years by a professionally qualified independent actuary. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. Contributions payable by the University are split between the current year charge, which is recognised in the Consolidated Statement of Comprehensive Income and Expenditure, and amounts payable to fund past deficits which are allocated to the provision.

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

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

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

Employment benefits

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

Leases

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

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Statement of accounting policies for the year ended 31 July 2016

Foreign currency

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

Fixed assets

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

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

(a) Land and buildings

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

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

(b) Equipment

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

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

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

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

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions at each balance sheet date.

Financial instruments

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

There is a judgement in the classification of loans payable between 'basic financial instruments' and 'non basic financial instruments'. The two key judgements concern market disruption events and the possibility of payment

Statement of accounting policies for the year ended 31 July 2016

of break gains by the Lender to the Borrower on termination of a loan and whether these meet the basic classification features.

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

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

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

Investments

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

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

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

Joint ventures

The University accounts for its share of joint ventures using the equity method.

Stock

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are, in practice, available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

Statement of accounting policies for the year ended 31 July 2016

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

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Transition to the new SORP

The University is preparing its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the new SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is set out in the notes to these financial statements.

In preparing the first financial statements certain exemptions are permitted under FRS102. The University has taken advantage of the exemption permitted under paragraph 35.10(c) of FRS102 and has measured tangible fixed assets and investment property at its fair value on the date of transition, and used that fair value as deemed cost.

Accounting estimates and judgements

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

In determining the valuation of defined benefit pension plans the University make assumptions in respect of inflation rates, life expectancy, discount rate and salary and pension growth rates. Details of the assumptions used are set out in note 24. Management consult with a qualified actuary in making these assumptions.

On the application of FRS102 management revalued certain fixed assets and reassessed the remaining useful life of buildings. These assumptions were set based on the advice of a suitably qualified valuer.

Consolidated statement of comprehensive income and expenditure for the year ended 31 July 2016

	Note	2016 Consolidated £000	2016 University £000	2015 Consolidated £000 Restated	2015 University £000 Restated
Income					
Tuition fees and education contracts	1	101,193	101,193	95,225	95,225
Funding body grants	2	17,629	17,629	14,720	14,720
Research grants and contracts	3	6,275	6,275	5,997	5,997
Other income	4	13,051	12,768	13,977	13,670
Investment income	5	356	355	2,986	2,985
Total income before endowments and donations		138,504	138,220	132,905	132,597
Donations and endowments	6	123	123	12	12
Total Income		138,627	138,343	132,917	132,609
Expenditure					
Staff costs	7	69,480	69,480	64,997	64,997
Other operating expenses		44,788	44,504	46,433	46,125
Depreciation	10	7,595	7,595	6,962	6,962
Interest and other finance costs	8	9,035	9,035	4,048	4,048
Total expenditure	9	130,898	130,614	122,440	122,132
Surplus before other gains/(losses) and share of surplus/(deficit) of joint ventures and associates		7,729	7,729	10,477	10,477
Share of operating (deficit)/surplus in joint venture	13	(22)	-	8	-
Surplus before tax		7,707	7,729	10,485	10,477
Taxation		-	-	-	-
Surplus for the year		7,707	7,729	10,485	10,477
Change in fair value of investment property	11	(878)	(878)	(382)	(382)
Actuarial (loss)/gain in respect of pension	24	(8,102)	(8,102)	1,794	1,794
Total comprehensive income for the year		(1,273)	(1,251)	11,897	11,889
Represented by:					
Endowment comprehensive income for the year		90	90	(22)	(22)
Unrestricted comprehensive income for the year		(1,363)	(1,341)	11,919	11,911
		(1,273)	(1,251)	11,897	11,889
Surplus for the year attributable to:					
University		7,707	7,729	10,485	10,477
Total Comprehensive income for the year attributable to:					
University		(1,273)	(1,251)	11,897	11,889

All items of income and expenditure relate to continuing activities.

Consolidated and University statement of changes in reserves for the year ended 31 July 2016

Consolidated	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2014 - Restated	154	-	137,653	137,807
Surplus/(deficit) from income and expenditure statement	(22)	-	11,919	11,897
Total comprehensive income for the year	(22)	-	11,919	11,897
Balance at 31 July 2015 - Restated	132	-	149,572	149,704
Surplus/(deficit) from income and expenditure statement	90	-	(1,363)	(1,273)
Total comprehensive income for the year	90	-	(1,363)	(1,273)
Balance at 31 July 2016	222	-	148,209	148,431

University	Income and expenditure account			Total Reserves £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2014 - Restated	154	-	137,623	137,777
Surplus/(deficit) from income and expenditure statement	(22)	-	11,911	11,889
Total comprehensive income for the year	(22)	-	11,911	11,889
Balance at 31 July 2015 - Restated	132	-	149,534	149,666
Surplus/(deficit) from income and expenditure statement	90	-	(1,341)	(1,251)
Total comprehensive income for the year	90	-	(1,341)	(1,251)
Balance at 31 July 2016	222	-	148,193	148,415

Consolidated and University balance sheet as at 31 July 2016

	Note	2016 Consolidated £000	2016 University £000	2015 Consolidated £000	2015 University £000
Non-current assets					
Fixed assets	10	238,260	238,260	218,941	218,941
Investment property	11	4,790	4,790	4,349	4,349
Investments	12	40	328	40	215
Investment in joint venture	13	102	-	11	-
		243,192	243,378	223,341	223,505
Current assets					
Stock	14	292	100	295	101
Trade and other receivables	15	11,630	11,691	12,958	13,085
Investments	16	35,075	35,075	20,036	20,036
Cash and cash equivalents	21	8,613	8,507	10,029	9,843
		55,610	55,373	43,318	43,065
Creditors: amounts falling due within one year	17	(33,215)	(33,180)	(25,831)	(25,780)
Net current assets		22,395	22,193	17,487	17,285
Total assets less current liabilities		265,587	265,571	240,828	240,790
Creditors: amounts falling due after more than one year	18	(68,946)	(68,946)	(51,234)	(51,234)
Provisions					
Pension provisions	19	(47,625)	(47,625)	(38,583)	(38,583)
Other provisions	19	(585)	(585)	(1,307)	(1,307)
Total net assets		148,431	148,415	149,704	149,666
Restricted Reserves					
Income and expenditure reserve – endowment	20	222	222	132	132
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		148,209	148,193	149,572	149,534
Total Reserves		148,431	148,415	149,704	149,666

The financial statements were approved by the Board of Governors on 24 November 2016 and signed on its behalf on that date by:



H Biddle – Chair of the Board



Professor M Stuart – Vice Chancellor

Consolidated cash flow statement for the year ended 31 July 2016

	Note	2016 Consolidated £000	2015 Consolidated £000 Restated
Cash flow from operating activities			
Surplus for the year		7,707	10,485
Adjustment for non-cash items			
Depreciation	10	7,595	6,962
Decrease/(increase) in stock	14	3	(28)
Increase in debtors		(1,524)	(2,322)
Increase/(decrease) in creditors		1,218	(522)
Increase in pension provision	19	940	503
(Decrease)/increase in other provisions	19	(722)	453
Share of operating deficit/(surplus) in joint venture	13	22	(8)
Adjustment for investing or financing activities			
Investment income	5	(356)	(274)
Interest payable	8	2,738	2,529
Change in fair value of loan commitments	8/5	4,866	(2,712)
Amortisation of derivative asset		29	-
Endowment income	6	(115)	(11)
Capital grant income	2/4	(5,965)	(3,524)
Net cash inflow from operating activities		16,436	11,531
Cash flows from investing activities			
Capital grant receipts		6,136	3,524
Investment income		323	231
Payments made to acquire fixed assets		(23,396)	(13,670)
Payments made to acquire investment properties		(1,319)	(507)
Payments made to acquire joint ventures		(113)	-
New deposits		(15,039)	(2,909)
		(33,408)	(13,331)
Cash flows from financing activities			
Interest paid		(2,700)	(2,482)
Endowment cash received		115	11
New secured loans		600	1,100
New unsecured loans		20,000	-
Repayments of amounts borrowed		(2,459)	(1,417)
		15,556	(2,788)
(Decrease)/increase in cash and cash equivalents in the year		(1,416)	(4,588)
Cash and cash equivalents at beginning of the year	21	10,029	14,617
Cash and cash equivalents at the end of the year	21	8,613	10,029

Notes to the financial statements for the year ended 31 July 2016

1 Tuition fees and education contracts	2016	2016	2015	2015
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	82,044	82,044	75,307	75,307
Full-time international students	12,333	12,333	13,409	13,409
Part-time students	5,983	5,983	5,322	5,322
Short courses and summer schools	477	477	1,024	1,024
Further education students	356	356	163	163
	<u>101,193</u>	<u>101,193</u>	<u>95,225</u>	<u>95,225</u>
2 Funding body grants				
Recurrent grants				
Higher Education Funding Council for England (HEFCE)	9,978	9,978	10,124	10,124
Skills Funding Agency (SFA)	801	801	715	715
Specific grants				
HEFCE – Higher Education Innovation Fund	667	667	540	540
HEFCE – other specific grants	218	218	17	17
HEFCE – capital grants	5,965	5,965	3,324	3,324
	<u>17,629</u>	<u>17,629</u>	<u>14,720</u>	<u>14,720</u>
3 Research grants and contracts				
Research Councils	982	982	1,106	1,106
UK based charities	1,358	1,358	1,178	1,178
UK Central/Local Government/Health/Hospitals	1,841	1,841	1,616	1,616
Industry and commerce	794	794	620	620
European Union	1,260	1,260	1,301	1,301
Overseas	40	40	176	176
	<u>6,275</u>	<u>6,275</u>	<u>5,997</u>	<u>5,997</u>
4 Other income				
Residences, catering and conferences	6,303	6,303	6,779	6,779
Other capital grants	-	-	200	200
Other income generating activities	6,748	6,465	6,998	6,691
	<u>13,051</u>	<u>12,768</u>	<u>13,977</u>	<u>13,670</u>
5 Investment income				
Income from short term deposits	356	355	274	273
Change in fair value of loan commitments	-	-	2,712	2,712
	<u>356</u>	<u>355</u>	<u>2,986</u>	<u>2,985</u>
6 Donations and endowments				
New endowments	115	115	11	11
Unrestricted donations	8	8	1	1
	<u>123</u>	<u>123</u>	<u>12</u>	<u>12</u>

Notes to the financial statements for the year ended 31 July 2016

7 Staff costs	2016	2016	2015	2015
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Salaries	54,413	54,413	50,711	50,711
Social Security costs	4,805	4,805	4,150	4,150
Movement on USS provision	237	237	1,107	1,107
Other pension costs	9,722	9,722	7,987	7,987
Staff restructuring costs	303	303	1,042	1,042
Total	69,480	69,480	64,997	64,997

	2016	2015
	Consolidated	Consolidated
	£000	£000
Emoluments of the Vice-Chancellor:		
Salary	243	221
Benefits	15	2
Pension contributions to USS	26	35
	284	258

Remuneration of other higher paid staff, excluding employer's pension contributions:	Number	Number
£100,000 to £109,999	1	-
£110,000 to £119,999	2	10
£120,000 to £129,999	5	-
£130,000 to £139,999	1	2
£140,000 to £149,999	-	-
£150,000 to £159,999	1	-
£160,000 to £169,999	-	-
£170,000 to £179,999	1	-

Average staff numbers by major category:	Number	Number
Teaching departments	978	911
Teaching support services	141	142
Other support services	60	62
Administration and central services	231	218
Premises	36	35
	1,446	1,368

Key management personnel

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

	2016	2015
	Consolidated	Consolidated
	£000	£000
Key management personnel compensation	1,559	1,562

Notes to the financial statements for the year ended 31 July 2016

7 Staff costs (cont.)

Governing body

The University's Board of Governors are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Board, being drawn, in part, from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

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

- Transactions totalling £1,602,864 relating to rental charges, equipment and supporting activity with Siemens Industrial Turbomachinery Ltd where Mr N Corner is the Managing Director.
- Transactions totalling £379,577 relating to secondments, occupational health services and project management support with United Lincolnshire Hospitals Trust where Mr K Darwin is a Non-Executive Director.
- Transactions totalling £298,047 relating to apprenticeships and grants with the University Academy Holbeach, part of the Lincolnshire Educational Trust Ltd where Professor M Stuart is a member.
- Transactions totalling £190,788 relating to rental charges and supporting activity from the University of Lincoln Students' Union where Miss S Storey is President.
- Transactions totalling £68,137 relating to subscriptions and expenses with Thomson Reuters where Ms J Reeves is Senior Vice President.
- Transactions totalling £35,536 relating to clinical scholarship awards and secondments with the University of Nottingham where Mr S Bailey is a Professor.
- Transactions totalling £34,396 relating to the sub lease of moorings and trust membership with the Brayford Trust where Professor M Stuart and Mr K Darwin are Directors.
- Transactions totalling £10,750 relating to subscriptions with the Equality Challenge Unit where Professor M Stuart is a board member.

No member of the Board of Governor's has received any remuneration or waived payments from the group during the year (2015: £nil).

The total expenses paid to or on behalf of 10 members of the Board of Governors was £6,000 (2015: £8,000 to 11 Governors). This figure represents the refunding of out-of-pocket expenses in attending meeting and other events, primarily travelling costs. Hotel accommodation, meals and associated costs relating to Board meetings are organised centrally by the University Secretariat and such costs are not included as these are borne directly by the University.

8 Interest and other finance costs

	2016	2016	2015	2015
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Loan interest	2,738	2,738	2,529	2,529
Change in fair value of loan commitments	4,866	4,866	-	-
Amortisation of derivative asset	29	29	-	-
Net charge on pension scheme	1,338	1,338	1,490	1,490
Unwinding of discounts on pension provisions	64	64	29	29
	<u>9,035</u>	<u>9,035</u>	<u>4,048</u>	<u>4,048</u>

Notes to the financial statements for the year ended 31 July 2016

9 Analysis of total expenditure by activity

	2016 Consolidated £000	2016 University £000	2015 Consolidated £000	2015 University £000
Academic departments	57,010	57,010	54,054	54,054
Academic services	15,153	15,153	13,348	13,348
Administration and central services	27,616	27,616	25,125	25,125
Premises	18,023	18,023	17,595	17,595
Residences and catering operations	6,366	6,366	6,261	6,261
Research grants and contracts	5,606	5,606	5,013	5,013
Other expenditure	1,124	840	1,044	736
	130,898	130,614	122,440	122,132

Other operating expenses include:

External auditors remuneration in respect of:

Audit services	53	50	32	28
Non-audit services	22	22	32	32

Operating lease rentals:

Land and buildings	1,270	1,270	1,256	1,256
Other	149	149	149	149

10 Fixed assets

Consolidated and 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					
At 1 August 2015	5,978	179,143	31,309	15,297	231,727
Additions	25,262	2	343	1,307	26,914
Transfers	(8,447)	4,825	2,371	1,251	-
Disposals and written off	-	-	(142)	(1,327)	(1,469)
As at 31 July 2016	22,793	183,970	33,881	16,528	257,172
Depreciation					
At 1 August 2015	-	4,697	1,792	6,297	12,786
Charge for the year	-	3,405	1,377	2,813	7,595
Disposals and written off	-	-	(142)	(1,327)	(1,469)
At 31 July 2016	-	8,102	3,027	7,783	18,912
Net book value					
At 31 July 2016	22,793	175,868	30,854	8,745	238,260
At 31 July 2015	5,978	174,446	29,517	9,000	218,941

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

At 31 July 2016, freehold land and buildings included £21,476,000 (2015: £21,476,000) in respect of freehold land which is not depreciated.

Notes to the financial statements for the year ended 31 July 2016

11 Investment property

	Investment Property £000
Consolidated and University	
Fair value	
At August 2015	4,349
Additions	1,319
Net loss recognised in Consolidated Statement of Comprehensive Income and Expenditure	(878)
As at 31 July 2016	<u>4,790</u>

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

12 Non-current investments

	Other non- current investments £000
Consolidated	
At 1 August 2015 and 31 July 2016	<u>40</u>

	Subsidiary companies £000	Investment in joint venture £000	Other non- current investments £000	Total £000
University				
At 1 August 2015	175	-	40	215
Additions	-	113	-	113
At 31 July 2016	<u>175</u>	<u>113</u>	<u>40</u>	<u>328</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, although the company has not traded during the year. UL Learning Resources Limited is a connected institution within the definition of paragraph 28 of Schedule 3 to the Charities Act 2011 and is therefore exempt from registration with the Charity Commission. Net assets of the charity at 31 July 2016 were £1 (31 July 2015: £1).

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

The University holds 25% of the ordinary share capital of Lincoln Science and Innovation Park Ltd, a company incorporated in England and Wales. The nature of the business is the development of a science and innovation park in Lincoln. The investment is treated as a joint venture in the group financial statements (see note 13).

Notes to the financial statements for the year ended 31 July 2016

12 Non-current investments (cont.)

	2016
	Consolidated and University
	£000
Other non-current investments consist of:	
CVCP Properties plc	30
Metnano Limited	10
	<u>40</u>

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

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

With effect from 15 September 2016 the University became the sole member of The Lincolnshire Foundation. As of this date, The Lincolnshire Foundation became a connected institution within the definition of paragraph 28 of Schedule 3 to the Charities Act 2011, and is therefore exempt from registration with the Charity Commission.

13 Investment in joint venture

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

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

	2016	2015
	£000	£000
Income and expenditure account		
Income	<u>158</u>	<u>162</u>
Operating (loss)/profit	<u>(22)</u>	<u>8</u>
Balance sheet		
Fixed assets	2,411	2,014
Current assets	38	13
	<u>2,449</u>	<u>2,027</u>
Creditors: amounts falling due within one year	(28)	(73)
Creditors: amounts falling due after more than one year	(2,319)	(1,943)
Share of net assets	<u>102</u>	<u>11</u>

Notes to the financial statements for the year ended 31 July 2016

14 Stock	2016	2016	2015	2015
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Goods for resale	46	46	49	49
Raw materials and consumables	245	54	55	52
Work in progress	1	-	191	-
	<u>292</u>	<u>100</u>	<u>295</u>	<u>101</u>

15 Trade and other receivables

Amounts falling due within one year:

Research grants receivable	1,945	1,945	1,088	1,088
Other trade receivables	4,266	4,260	4,541	4,534
Other receivables	529	529	114	103
Prepayments and accrued income	4,197	4,176	4,024	4,010
Derivative financial asset (Note 17)	-	-	2,712	2,712
Amounts due from subsidiary companies	-	88	-	159
	<u>10,937</u>	<u>10,998</u>	<u>12,479</u>	<u>12,606</u>

Amounts falling due after more than one year:

Other receivables	302	302	327	327
Prepayments and accrued income	391	391	152	152
	<u>11,630</u>	<u>11,691</u>	<u>12,958</u>	<u>13,085</u>

16 Current Investments

16 Current Investments	2016	2016	2015	2015
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Short term deposits	<u>35,075</u>	<u>35,075</u>	<u>20,036</u>	<u>20,036</u>

Deposits are held with banks and building societies operating in the UK market who are licensed and regulated by the Financial Conduct Authority.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 0.98% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 35 days. The fair value of these deposits was not materially different from the book value.

17 Creditors: amounts falling due within one year

17 Creditors: amounts falling due within one year	2016	2016	2015	2015
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Secured loans	1,824	1,824	1,695	1,695
Unsecured loans	750	750	750	750
Derivative financial liability	2,649	2,649	-	-
Unamortised loan commitment asset	(59)	(59)	-	-
Trade payables	6,467	6,434	2,725	2,722
Other payables	3,876	3,876	3,713	3,730
Social security and other taxation payable	1,488	1,503	1,431	1,431
Accruals and deferred income	16,220	16,203	15,517	15,452
	<u>33,215</u>	<u>33,180</u>	<u>25,831</u>	<u>25,780</u>

Notes to the financial statements for the year ended 31 July 2016

17 Creditors: amounts falling due within one year (cont.)

The derivative financial liability represents the fair value at the balance date of loan commitments where the interest rate has been fixed prior to draw down, calculated using estimated interest rates that could have been obtained for the same loans at the balance sheet date. In the prior year the amount was an asset (note 15). The loans are expected to be drawn down in full by early 2017. The fair value of the asset or liability at draw down is amortised over the life of the related loan (note 18). As at 31 July 2016 undrawn loan commitments were £28m at an average fixed rate of 2.46%

Deferred income

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

	2016 Consolidated £000	2016 University £000	2015 Consolidated £000	2015 University £000
Research grants received on account	2,002	2,002	2,529	2,529
Grant income	258	258	372	372
Other income	3,797	3,797	4,071	4,071
	<u>6,057</u>	<u>6,057</u>	<u>6,972</u>	<u>6,972</u>

18 Creditors : amounts falling due after more than one year

Secured loans	35,601	35,601	36,839	36,839
Unsecured loans	33,125	33,125	13,875	13,875
Unamortised loan commitment asset (note 17)	(408)	(408)	-	-
Accruals and deferred income	628	628	520	520
	<u>68,946</u>	<u>68,946</u>	<u>51,234</u>	<u>51,234</u>

Secured and unsecured loans are repayable as follows:

Due within one year on demand	2,574	2,574	2,445	2,445
Due between one and two years	2,673	2,673	2,545	2,545
Due between two and five years	10,429	10,429	8,241	8,241
Due in five years or more	55,624	55,624	39,928	39,928
	<u>71,300</u>	<u>71,300</u>	<u>53,159</u>	<u>53,159</u>
Due within one year or on demand	(2,574)	(2,574)	(2,445)	(2,445)
Due after more than one year	<u>68,726</u>	<u>68,726</u>	<u>50,714</u>	<u>50,714</u>

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

Lender	Amount £000	Term	Interest Rate %	Borrower
Dexia	5,892	2023	5.08	University
Dexia	4,624	2028	5.38	University
Santander	13,875	2035	5.00	University
Royal Bank of Scotland	23,572	2037	4.69	University
Royal Bank of Scotland	3,337	2037	2.34	University
European Investment Bank	20,000	2041	2.37	University
Total	<u>71,300</u>			

Notes to the financial statements for the year ended 31 July 2016

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

Included in the group borrowings balance of £71,300k (2015: £53,159k), £69,631k (2015: £51,717k) is held at amortised cost and £1,669k (2015: £1,442k) is held at fair value as the loans are non basic. The fair value movement in the period is not material and has therefore not been recognised.

19 Provisions for liabilities	Obligation to fund deficit on USS pension £000	Defined benefit obligations £000	Total pension provisions £000	Restructure £000	Onerous contracts and other £000	Total other £000
Consolidated and University						
As 1 August 2015	2,138	36,445	38,583	380	927	1,307
Utilised in year	(86)	(5,389)	(5,475)	(118)	(161)	(279)
Net pension charge	237	6,114	6,351	-	-	-
Actuarial loss on ERPF	-	8,102	8,102	-	-	-
Unwinding of USS discount	64	-	64	-	-	-
Unused amounts reversed in year	-	-	-	(262)	(181)	(443)
As at 31 July 2016	2,353	45,272	47,625	-	585	585

Obligations to fund deficit on USS pension

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

Defined benefit obligations

Defined benefit obligations are set out in further detail in note 24.

Restructure

The restructure provision related to a reorganisation with the College of Arts. This was finalised during the year ended 31 July 2016 with the unused amount being released to the Consolidated Statement of Comprehensive Income and Expenditure.

Onerous contracts and other

The onerous contracts and other matters provision mainly relates to the estimated liabilities in respect of onerous contractual obligations arising from certain operating leases. This estimated liability is due to be settled within one year from the balance sheet date.

Notes to the financial statements for the year ended 31 July 2016

20 Endowment Reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University	Restricted permanent endowments	Unrestricted permanent endowments	Restricted expendable endowments	Total 2016	Total 2015
	£000	£000	£000	£000	£000
Balances at 1 August					
Capital	-	-	132	132	154
Accumulated income	-	-	-	-	-
	-	-	132	132	154
New endowments	-	-	115	115	11
Expenditure	-	-	(25)	(25)	(33)
	-	-	222	222	132
Increase in market value of investments	-	-	-	-	-
At 31 July	-	-	222	222	132
Represented by:					
Capital	-	-	222	222	132
Accumulated income	-	-	-	-	-
	-	-	222	222	132
Analysis by type of purpose:					
Scholarships and bursaries	-	-	51	51	43
Research support	-	-	89	89	32
Prize funds	-	-	82	82	57
	-	-	222	222	132
Analysis by asset:					
Current and non-current asset investments	-	-	-	-	-
Cash and cash equivalents	-	-	222	222	132
	-	-	222	222	132

21 Cash and equivalents

Consolidated	At 1 August 2015	Cash Flows	At 31 July 2016
	£000	£000	£000
Cash and cash equivalents	10,029	(1,416)	8,613

22 Capital and other commitments

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

Consolidated and University	2016	2015
	£000	£000
Commitments contracted for	46,706	6,740
Authorised but not contracted for	18,153	79,809
	64,859	86,549

Notes to the financial statements for the year ended 31 July 2016

23 Lease obligations

Total rentals payable under operating leases:

	Land and Buildings	Other	Total 2016	Total 2015
Consolidated and University	£000	£000	£000	£000
Payable during the year	1,270	149	1,419	1,405
Future minimum lease payments due:				
Not later than 1 year	1,187	149	1,336	1,403
Later than 1 year and not later than 5 years	4,582	-	4,582	4,800
Later than 5 years	21,803	-	21,803	22,297
Total lease payments due	27,572	149	27,721	28,500

24 Pension schemes

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

	2016	2015
	£000	£000
ERPF including FRS102 adjustments	4,776	4,032
TPS contributions payable	3,926	3,096
USS contributions (excluding pension movements)	1,020	859
Total pension cost	9,722	7,987

ERPF

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

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

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

The total contribution made for the year ended 31 July 2016 was £6,522,000 of which employers' contribution totalled £5,389,000 and employees' contributions totalled £1,269,000. The employer's contribution rate was 28.1%. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 12.5%.

The University also provides ex-gratia pension benefits to certain former employees who could not join the pension scheme at the time. Ex-gratia payments have ceased accruing for all such employees. The University paid ex-gratia pensions of £136,000 during the year end 31 July 2016 (2015: £144,000). These liabilities are not separately funded.

Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013, updated to 31 July 2016 on an FRS102 basis by a qualified independent actuary.

Notes to the financial statements for the year ended 31 July 2016

24 Pension schemes (cont.)

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

	2016	2015
	%	%
Price Inflation (RPI)	2.9	3.5
Price Inflation (CPI)	1.9	2.1
Rate of increase of salaries	2.9	3.5
Rate of increase of pensions in payment for ERPF members	1.9	2.6
Discount rate	2.5	3.7

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

	2016	2015
<i>Current pensioners</i>		
Males	21.9	21.9
Females	24.1	24.1
<i>Future pensioners (currently aged 45)</i>		
Males	24.2	24.2
Females	26.7	26.7

Scheme assets

The fair value of the assets in the ERPF were:

Fair value of assets	2016	2015	2014
	£000	£000	£000
Equities	82,369	71,795	65,851
Bonds	12,081	9,447	8,443
Property	12,081	9,447	5,910
Cash	3,295	3,779	4,221
Total fair value of assets	<u>109,826</u>	<u>94,468</u>	<u>84,425</u>

Notes to the financial statements for the year ended 31 July 2016

24 Pension schemes (cont.)

The following amounts at 31 July 2016 were measured in accordance with the requirements of FRS102.

Analysis of the amount shown in the balance sheet for ERPF and ex-gratia pensions	2016	2015
	£000	£000
Scheme assets	109,826	94,468
Scheme liabilities	(155,098)	(130,913)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 19)	(45,272)	(36,445)

Analysis of the amount charged to staff costs within operating surplus

Current service cost	4,776	4,032
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Analysis of the amount charged to interest and other finance costs

Interest income on plan assets	(3,570)	(3,450)
Interest cost on defined benefit obligation	4,908	4,940
Interest on net deficit	1,338	1,490

Analysis of other comprehensive income for ERPF and ex-gratia pensions

Remeasurements		
- Changes in financial assumptions	(17,782)	(2,141)
- Other experience	1,989	1,029
- Return on assets excluding amounts included in net interest	7,691	2,906
Actuarial (loss) / gain	(8,102)	1,794

History of experience gains and losses – ERPF and ex-gratia pensions

	2016	2015	2014	2013	2012
Difference between the expected and actual return on assets:					
Amount (£000)	7,691	2,906	(342)	8,558	(3,096)
% of assets at end of year	7.0%	3.1%	0.4%	11.1%	4.8%
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	1,989	1,029	1,864	40	(1,449)
% of scheme liabilities at end of	1.3%	0.8%	1.6%	0.0%	1.4%

Cumulative actuarial loss recognised as other comprehensive income for ERPF and ex-gratia pensions

	2016	2015
	£000	£000
Cumulative actuarial losses recognised at the start of the year	18,320	20,114
Cumulative actuarial losses recognised at the end of the year	26,422	18,320

Analysis of movement in deficit for ERPF and ex-gratia pensions:

Deficit at beginning of year	(36,445)	(37,736)
Contributions or benefits paid by the University	5,389	5,019
Current service cost	(4,776)	(4,032)
Other finance charge	(1,338)	(1,490)
(Loss)/gain recognised in other comprehensive income	(8,102)	1,794
Deficit at end of year	(45,272)	(36,445)

Notes to the financial statements for the year ended 31 July 2016

24 Pension schemes (cont.)

Analysis of movement in the present value of ERPF and ex-gratia liabilities	2016	2015
	£000	£000
Present value of ERPF and ex-gratia liabilities at the start of the year	130,913	122,161
Current service cost	4,776	4,032
Interest cost	4,908	4,940
Actual members contributions	1,269	1,203
Actuarial loss	15,793	1,112
Actual benefit payments	(2,561)	(2,535)
Present value of ERPF and ex-gratia liabilities at the end of the year	<u>155,098</u>	<u>130,913</u>

Analysis of the movement in the fair value of scheme assets

Fair value of assets at start of the year	94,468	84,425
Expected return on assets	3,570	3,450
Actuarial gain on assets	7,691	2,906
Actual contributions paid by University	5,389	5,019
Actual member contributions	1,269	1,203
Actual benefit payments	(2,561)	(2,535)
Fair value of assets at end of the year	<u>109,826</u>	<u>94,468</u>

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

Actual return on scheme assets	2016	2015
	£000	£000
Expected return on scheme assets	3,570	3,450
Asset gain	7,691	2,906
	<u>11,261</u>	<u>6,356</u>

Estimated University contributions for ERPF for the year ended 31 July 2017 is £5,263,000.

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 16.48% (2015: 16.4%) of pensionable salaries. The employees' contribution rate is based on earnings per annum and ranges from 7.4% to 11.7%.

USS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The institution is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the institution's employees. In 2016, the percentage was 16% (2015: 16%). The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by section 28 of FRS102 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the income and expenditure account is £1,321,000 (2015: £1,995,000). This includes £105,000 (2015: £86,500) outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements. A provision is held for the present value of expected deficit recovery payments (note 19).

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Based on this 2014 valuation, contributions increased from 16% to 18% from 1 April 2016.

Notes to the financial statements for the year ended 31 July 2016

24 Pension schemes (cont.)

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

25 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS102 and the new SORP. The accounting policies set out on pages 29 to 33 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS102 Statement of Financial Position at 1 August 2014. In preparing its FRS102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS102 and the new SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	As at 1 August 2014		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Total reserves under 2007 SORP	73,030	73,000	83,996	83,958
Revaluation of land and buildings used as deemed cost under transitional provisions of FRS102	69,440	69,440	69,231	69,231
Fair value of investment property	(1,990)	(1,990)	(2,372)	(2,372)
Fair value of derivative asset	-	-	2,712	2,712
Employee leave accrual	(1,683)	(1,683)	(1,896)	(1,896)
USS deficit recovery plan provision	(1,161)	(1,161)	(2,138)	(2,138)
Grant income	171	171	171	171
Total effect of transition to FRS102	64,777	64,777	65,708	65,708
Total reserves under 2015 SORP	137,807	137,777	149,704	149,666

Financial performance	Year ended 31 July 2015	
	Consolidated £000	University £000
Surplus for the year under 2007 SORP	9,405	9,397
Historic capital grants no longer deferred and released to income under performance model	(1,923)	(1,923)
Capital grants received in year credited to income once performance criteria met	3,524	3,524
USS deficit recovery provision following revised recovery plan agreed in 2014/15	(977)	(977)
Increased depreciation charge from land and buildings revaluation	(268)	(268)
Increase in employee leave accrual	(213)	(213)
Endowments	36	36
LGPS pension calculation charge	(17)	(17)
Decrease in fair value of investment property	(382)	(382)
Increase in fair value of loan commitment	2,712	2,712
Total effect of transition to FRS102	2,492	2,492
Total comprehensive income for the year under 2015 SORP	11,897	11,889

Notes to the financial statements for the year ended 31 July 2016

25 Transition to FRS102 and the 2015 SORP (cont.)

Cash flows

The only impact of the transition to FRS102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents.

The governing body and officers 2015/16

The Governors who served in the period from 1 August 2015 were as follows:

Mr H Biddle (Chair)
Professor S Bailey
Dr S Barrow (Staff Member)
Mr N Corner
Mr K Darwin OBE (until 31 July 2016)
Sir Graeme Davies
Ms D Gilhespy
Mr N Gray
Mr N Herbert
Ms M Jackson (Deputy Chair)
Ms D Lees CBE
Ms C McEwan (until 31 December 2015)
Ms J Reeves
Ms S Storey (Student Member) (from 20 June 2016)
Professor M Stuart (Vice Chancellor)
Dr C Swinson OBE
Mr R Whetton
Ms H J Wilkinson (Student Member) (until 19 June 2016)

The officers who served in the period from 1 August 2015 were as follows:

Senior Management Team	
Professor M Stuart	Vice Chancellor
Professor J S Davidson	Deputy Vice Chancellor
Professor I Owen	Deputy Vice Chancellor
Mr C Spendlove	University Registrar
Mrs J Billam (until 2 April 2016)	Director of Human Resources
Ms D Harry	Chief Finance Officer
Mrs C Low	Director of Planning and Business Intelligence
Mr J Plumridge	Director of Estates and Commercial Facilities
Professor M Cragoe	Pro Vice Chancellor
Professor A Hunter	Pro Vice Chancellor
Professor S Owen	Pro Vice Chancellor
Professor C Marsh (from 11 April 2016)	Pro Vice Chancellor
Mr P Walsh	Clerk to the Board of Governors

The University's principal advisors were:

Lloyds plc	Bankers
Deloitte LLP	External Auditor
KPMG LLP	Internal Auditor