



UNIVERSITY OF
LINCOLN



Financial Statements 2013/14

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Key highlights

for the year ended 31 July 2014

Strategic plan The University of Lincoln continues to make significant progress against the current Strategic Plan. This plan sets out the overall direction for the development of the University, with the aim of becoming a leading provider of higher education nationally and increasing its global reputation.

Financial highlights This year represents further substantial development for the University of Lincoln. Solid income growth and a strong surplus puts the University in an excellent position to invest significantly in the physical, technological and research infrastructure, and to take advantage of the many exciting opportunities available in the current environment

	2014 £000	2013 £000
Total income	119,380	103,037
Surplus for the year	10,304	3,135
Net cash flow from operating activities	15,289	10,468
Cash and short term deposits	31,590	31,274
Capital expenditure	16,815	15,251
Net debt	21,732	21,731

Joseph Banks Laboratories The Joseph Banks Laboratories, located in the heart of the Lincoln Science and Innovation Park, opened to students in September 2014. This prestigious facility provides state of the art laboratories and clinical spaces for teaching and research for the Schools of Pharmacy, Chemistry and Life Sciences.

School of Chemistry The new School of Chemistry, supported by HEFCE Catalyst Funding, welcomed its first undergraduates in September 2014. The School will create a 'new chemistry' founded on pursuing science relevant to the needs of industry and producing research-active, commercially-aware graduates.

School of Pharmacy The first cohort of BSc (Hons) Pharmaceutical Sciences students commenced studies in September 2013, with the MPharm Pharmacy degree welcoming students from September 2014. The philosophy of the new School is to produce passionate pharmacists and pharmaceutical scientists who are adept in addressing many of the major healthcare challenges faced by society today, and into the future.

Science and Innovation Park The Science and Innovation Park collaboration between the University and Lincolnshire Co-operative continues to attract significant interest and investment, with funding secured from the Government's 'Growth Deal' for The Boole Technology Centre. This facility will provide laboratory and working spaces specifically targeted towards advanced engineering and manufacturing businesses.

Technological investment This year the University commenced a major transformation of its business systems and processes, supported by a £6m investment in Information Technology. The renewal of multiple key business systems will create a cutting-edge technological environment and improve the overall quality of the entire student journey.

University Library The extension to the Great Central Warehouse Library, providing new seminar rooms and study spaces, was officially opened by HRH Prince Edward the Duke of Kent in March 2014. The Library, recognised as "a beacon of innovation and best practice", has also been awarded the acclaimed Customer Service Excellence Standard by the East Midlands Quality Centre.

Next stage campus development The next stage of the University's multi-million pound programme of investment in facilities has been approved by the Board of Governors. Scheduled to open in 2016, the next generation of students will benefit from a brand new £20m facility for the School of Psychology and the School of Health and Social Care. In addition, a £7m expansion of the Engineering Building has also been approved, which will support the continued success of the School of Engineering.

National Student Survey 2014 The University of Lincoln has been rated among the best universities in the UK for student satisfaction. The latest NSS places Lincoln in the top third nationally based on an average score across all 22 questions. The University scored on or above the national average in every category of the survey, with a number of courses rated in the top 20 per cent nationally for their subject areas.

Lincoln Student Union 'Best in UK' The University of Lincoln's Students' Union was named as the best in the country at the prestigious National Union of Students (NUS) Awards 2014. Lincoln SU was awarded the title of 'HE Students' Union of the Year' at the annual NUS ceremony, which celebrates the work, achievements and successes of unions across the UK.

Staff Survey The 2013 staff survey attracted record levels of participation across the institution and the University of Lincoln remains ahead of the sector benchmarks in many key areas. Particular areas of strength identified include equality and diversity, job satisfaction, learning and development and health promotion and wellbeing.

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

Lincoln Growth Fund The Lincoln Growth Fund was officially launched after a successful bid to the Government's Regional Growth Fund from the University of Lincoln, in partnership with the Lincolnshire Echo. With an allocation of £1m, the Lincoln Growth Fund provides grants to SMEs to directly create or safeguard jobs, through flexible investment in capital, equipment, training, commercial rents and recruitment costs.

Operating and financial review

for the year ended 31 July 2014

The Operating and Financial Review describes the main trends, factors and issues underlying the University of Lincoln's performance during the year ended 31 July 2014, its current financial position at the year end and factors likely to affect the University in the future. It has been prepared in line with guidance provided by the Reporting Statement on the Operating and Financial Review issued by the UK Accounting Standards Board and the Statement of Recommended Practice on Accounting for Higher Education Institutions (2007).

Section 1 - Objectives and Strategies of the University

Our vision

By 2016 the University of Lincoln will be recognised internationally for its strong ethos of partnership with employers and industry, and for providing a research-engaged academic experience with a personal student experience at its heart.

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

Our mission

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

Our strategic objectives

Our strategic objectives are:

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

Our measures of success

Our measures of success will be:

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

Where we are now

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

The University is currently ranked 60th out of 123 institutions in the Times Good University Guide.

The transition to the new funding regime presented a massive challenge to all institutions. Student number controls subsequently lifted and uncertain demand patterns will impact income and expenditure accounts across the sector. Lincoln has responded well to this challenge with continued income growth and diversification in 2013/14.

Investment in facilities and infrastructure has continued over the last year. The new £11m extension to the Art, Architecture and Design Building opened as planned in September 2013, along with the first phase of the new Lincoln Science and Innovation Park in September 2014. This marks a significant step forward in the development of science, technology and innovation at both the University and in the City of Lincoln.

There have been many exciting developments this year across all areas of the University. This will continue into the next academic year, particularly with the recent establishment of the Schools of Pharmacy, Mathematics and Chemistry, the opening of the University Technical College in 2014 and the continued growth of the Science and Innovation Park.

Operating and financial review

for the year ended 31 July 2014

Section 2 - Our Operating Environment

Competition	<p>Large higher education institutions, mainly located in major UK cities, continue to be the University of Lincoln's key competitors. One of Lincoln's distinct advantages when compared with these competitors, is its location within a safe, pleasant and compact city, with a high quality of living.</p> <p>The University's competitor set is changing as the University rises up the league tables and average entry points continue to increase, research output and record is enhanced and student satisfaction scores rise. Such developments will bring competition from institutions that are research-active in many of their areas of distinctiveness and that attract some of the brightest students in Higher Education.</p>
Policy and Government	<p>The Higher Education landscape in which the University operates has significantly changed, with funding for home/EU undergraduate students transferred from institutions to a system of loans for students, and with ever increasing controls on international students. These changes have created a number of challenges and opportunities for institutions.</p> <p>The key focuses of the University will continue to be:</p> <ul style="list-style-type: none">• Diversifying income streams;• Development of STEM (Science, Technology, Engineering, Mathematics) provision: and• Ensuring that student numbers are optimized. <p>Changes and reductions to the way in which institutions are funded mean that one of the University's key foci is on diversifying its income streams. The University continues to scenario and sensitivity plan to ensure that it is able to deliver sustainable and viable plans going forward. The University of Lincoln has developed a clear strategy around growth and diversification.</p>
Demand for higher education	<p>The lifting of the fees cap to £9,000 in 2012 with the intention of creating a more competitive market, alongside the significant cuts to the Higher Education sector funding, has created a situation of considerable uncertainty within the sector. The Government has also made it easier for the private sector to enter the higher education market, thus extending the range of potential competitors. The University needs to position itself to take advantage of any changes through ensuring that its curriculum is balanced and distinctive. Distinctiveness will be developed at Lincoln through the 'Student as Producer' project which aims to make research-engaged teaching and learning the organising educational principle for this institution.</p> <p>In order to ensure that the University's portfolio of academic programmes is fit for purpose and fit for market, a number of portfolio reviews have been undertaken. Foremost among these was a review of STEM subjects, which focused on how provision could be developed and enhanced in these areas to meet developing demand.</p> <p>It is likely that patterns of demand for higher education will continue to change, with greater emphasis on flexibility in provision, its relevance for students and employers, and continuous improvements in the quality of courses and the wider education experience. International demand for higher education is also likely to increase as rapidly developing economies such as India and China are unlikely to be able to satisfy national demand in the short to medium term through domestic provision.</p> <p>In addition to this, higher education will continue to become increasingly internationalised, with growing levels of staff, student and graduate mobility as well as more globally-aware curricula and pedagogy.</p> <p>In order to position the University in a period of great uncertainty our aim is to focus on creating high levels of student satisfaction in all facets of student engagement with the University, from the point of first contact to graduation and beyond. This requires a 'whole of institution' response involving academic and professional support staff, as well as the Students' Union.</p> <p>The enhancement of teaching and learning will be a key component of this strategy through the progressive implementation of the research engaged teaching agenda. It is also the aim of the University to increase postgraduate numbers and to enhance the postgraduate experience through strong faculty support and a welcoming and supportive Graduate School that is designed to meet students' needs. We will also be seeking to increase international student numbers, while at the same time ensuring these students receive the support that they require to prosper both academically and socially.</p>

Section 3 - Review of The Year

This section sets out the main trends, factors and issues underlying the University of Lincoln's performance during the year ended 31 July 2014, its current financial position at the year end and the factors likely to affect the University in the future.

Financial Management and Sustainability

The University continues to make substantial progress in diversifying income, re-structuring costs and creating an operating model to establish financial stability and sustainability. It is a challenging time for Higher Education, and whilst the University is well placed to maintain financial stability and will continue to invest in strategic priorities, it is essential that investments are based on the initiatives that deliver the most tangible and beneficial outcomes.

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

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

This year's results represent another year of significant progress. Continuing income growth and effective cost control initiatives have delivered a record year of operating surpluses. The 2013/14 result and the healthy year end cash balances leave us well-positioned to embrace the on-going funding challenges and ensure the financial stability and sustainability of the University. We have the strength and resources to fund further planned developments and strategic investments in order to deliver an even better experience to our current and future students.

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

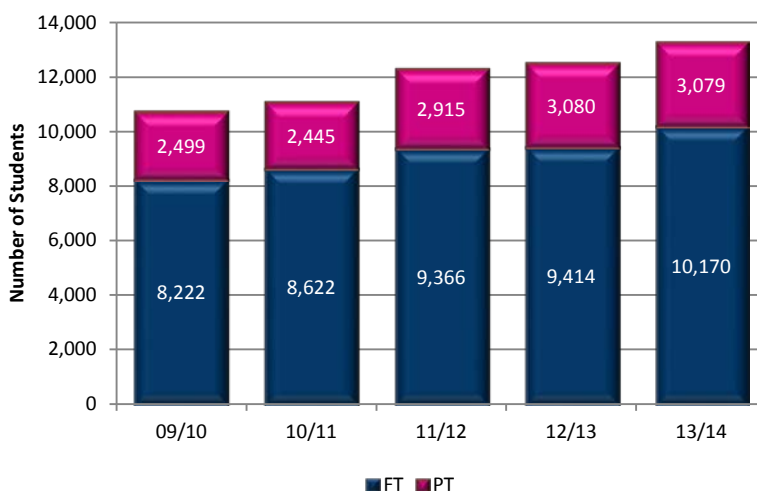
Academic Review

Students

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

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

**Student Number Headcount by Mode of Attendance
from 2009/10 to 2013/14**



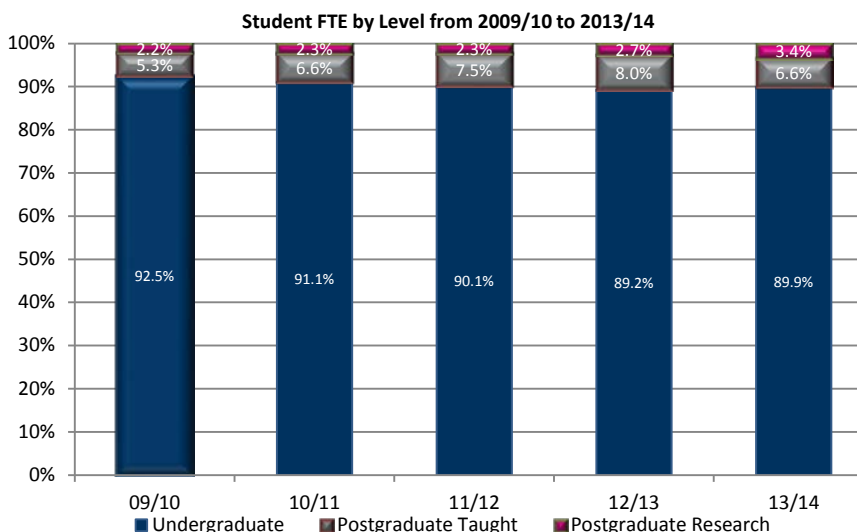
Total headcount for the year ended 31 July 2014 has increased to 13,249 (2013: 12,494).

The proportion of part-time students has decreased marginally to 23.2% in 2014 from 24.7% in 2013.

Operating and financial review

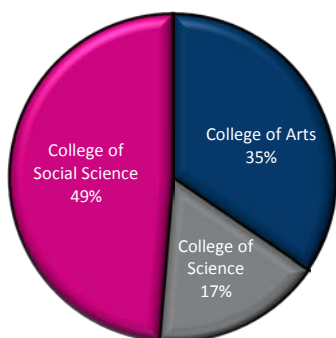
for the year ended 31 July 2014

The University has maintained a largely consistent proportion of postgraduate students in the current highly competitive environment.

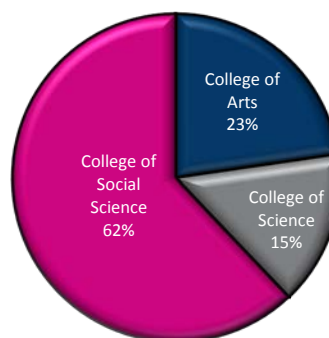


The profile of undergraduate and postgraduate student FTE by college, for the year ended 31 July 2014, is set out below.

Undergraduate FTE by College for 2013/14



Postgraduate FTE by College for 2013/14



Academic portfolio

The academic character of the institution is controlled by the Board of Governors, which considers and approves proposed strategic academic developments. The University manages its academic portfolio through the Portfolio and Partnerships Oversight Group (PPOG) which makes recommendations to the Senior Management Team (SMT) and the Academic Affairs Committee (AAC). Through its membership of senior academic and professional services staff, PPOG brings together the deliberative and executive strands of the University. This ensures that both business and academic related issues are fully considered before programmes are created, deleted or suspended. Academic recommendations are then directed to AAC acting on behalf of the Academic Board and business related recommendations are made to SMT. Through these mechanisms the University is able to assure itself that there has been full investigation of all necessary financial, marketing and other information within a fully strategic context before decisions on the academic portfolio are made. PPOG also reviews the University's academic portfolio annually to ensure that it remains fit for purpose, appropriate for market and sustainable.

Teaching and learning strategy

The University's teaching and learning strategy is currently contained in its Teaching and Learning Plan 2011-2016. The Plan aligns with and is designed to implement the University's Strategic Plan 2011-2016. The Key Performance Indicators contained in the University's Strategic Plan are reflected in the Teaching and Learning Plan and are supplemented by a number of second tier Key Performance Indicators that are specific to the Plan.

The foundation of the Teaching and Learning Plan is the University's Research Engaged Teaching Project (known as 'Student as Producer') which has been adopted as the central organising principle and main vehicle for the delivery of student education at all levels within the University. It involves the inclusion of research and research-like activities in all parts of the curriculum and the introduction of students to these at the earliest stages of their academic careers. In this way students become active participants in their own education and collaborate with academics in the production and dissemination of knowledge and meaning. Student as Producer is also premised on broad and deep student engagement in all aspects of the University's life, which further contributes to the breadth of their learning experience.

Operating and financial review

for the year ended 31 July 2014

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

Much of the Digital Education Plan is based upon and supported by our virtual learning environment, Blackboard. During 2013/14 the University went through a lengthy and detailed procurement process to determine the most suitable virtual learning environment to meet the institution's needs. Following extensive consultation with users and stakeholders, it was decided that Blackboard provided the best educational offer, as well as value for money. New enhancements to Blackboard have enabled staff and students to use it on their mobile devices and, through Blackboard Collaborate, to work through video and audio remotely.

As the University goes through the process of refreshing its strategy in 2014/15, we will also take the opportunity to review and refresh the Teaching and Learning and Digital Education Plans with the aim of creating a single strategy that is consistent with the University's overarching approach.

School Reviews

In 2013 the University introduced a system of rolling periodic reviews for all academic Schools. These periodic reviews, which are led by a Deputy Vice-Chancellor, are wide-ranging but clearly focused on ensuring that Schools are performing optimally and are well-positioned to deliver on the institution's strategies. Reviews also give Schools an opportunity for self-reflection, enabling them to assess their performance and to gauge how well they compare against national, academic subject and other benchmarks. This work is data driven and is fully supported by the University's Planning and Business Intelligence department.

Quality and standards

During the academic year 2013/14, the University has worked hard to maintain and enhance the robust quality assurance systems identified and commended during the Quality Assurance Agency's (QAA) November 2012 IRENI (Institutional Review of Higher Education Institutions in England and Northern Ireland) visit to the University. The QAA reviewers found that the University of Lincoln met UK expectations for academic standards, for the quality of student learning opportunities and for information about learning opportunities produced by the University; and commended the enhancement of student learning opportunities at the University, noting the impact of the 'Student as Producer' initiative on the heightening of student engagement at all levels and on learning and teaching practice across the University. This very welcome result was a clear endorsement of the hard work that takes place across the University to maintain and improve learning and teaching.

The IRENI Action Plan produced by the University following the review was updated during 2014 and submitted to the QAA to demonstrate continuing progress in responding to the recommendations made by the reviewers. This, together with the Institutional Review report for the University of Lincoln, is available via the following University website link: <http://www.lincoln.ac.uk/home/qaa/>; and also on the QAA's website.

In order to further embed full adherence to institutional processes for approving new programmes and academic partnerships, the University has introduced the aforementioned Portfolio and Partnerships Oversight Group – to scrutinise proposals, business cases, and associated risks, before recommending approval to both the Senior Management Team and Academic Affairs Committee. This approach was endorsed by the recent KMPG internal audit review on the Governance and Oversight of Partnerships and Collaborative Arrangements.

The University has continued to develop its quality assurance systems to further embed student engagement and the Student as Producer principles, with students taking seats as full members on all (Re)Validation and Periodic Academic Review panels. Work is currently under way to review existing work placement opportunities, with a view to increasing these as appropriate, to support the institutional student employability agenda.

The revised Annual Programme Monitoring reports and processes have been successfully used this academic year, and explicitly require consideration of Student as Producer's impact on the curriculum and of how students are engaged in the review and development of programmes. The report asks programme teams to summarise how they have responded to issues raised by students, and also how these responses were fed back to students to close the loop. Revised guidance for Schools on Periodic Academic Review Self-Evaluation Documents is also in use, to encourage a more explicit reflection throughout the document on how student feedback has helped shape the curriculum and the student experience.

The University has continued to strengthen its standing in the professions, having received formal accreditation from the Periodicals Training Council, the National Council for the Training of Journalists, the European Herbal and Traditional Medicine Practitioners Association, and the British Computer Society during the 2013/14 academic year. The School of Pharmacy successfully passed through 'Step 3' of accreditation by the General Pharmaceutical Council for its MPharm programme, with the Step 4 visit likely to occur towards the end of the 2014/15 academic year. In addition, the School of Architecture & Design has received formal accreditation from the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVC) for the delivery, by the Hong Kong Design Institute, of the University's final level of BA (Hons) Architecture and BA (Hons) Design for Exhibition and Museums.

Careers and employability

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

Operating and financial review

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The economic climate has provided challenging employment conditions for all new graduates. In spite of this, and reflecting the high priority Lincoln places on supporting our graduates after they have finished their studies, our graduates continue to have great employment prospects. The Destination of Leavers from Higher Education (DLHE) survey results show 92% of our 2012/13 students were in employment within six months of completing their course and 68% had secured graduate-level positions. We have continued to invest in this critical area to increase the level of support and opportunities for our students and graduates.

During 2013/14 we built on and enhanced existing activity, including:

- Our Student Job Shop, in partnership with the Students Union, continues to provide more high quality opportunities for part-time employment as well as work placements to students during their studies.
- Working with employers to organise activities throughout the year, including: Find Your Feet (Careers Fair), employer presentations, workshops and mentoring schemes in addition to sourcing and promoting graduate positions.
- Building on the presence within the Colleges, allowing us to develop bespoke services and careers development support to our programmes of study working in collaboration with key academics;
- Building on and introducing staffing structures and new roles to the team to offer an enhanced support package to all key stakeholders – employer, student and academic. This has allowed for a more strategically focused delivery model based on consultation and triage.
- Hosting Graduate recruitment 'Roadshows' across the campus to raise awareness of graduate recruitment opportunities and deadlines.
- Developing long-term relationships with major employers
- Continuing to develop partnerships with key organisations in graduate recruitment such as the AGR.
- Building stronger links to national graduate recruitment events and activities, extending the reach of Lincoln and the opportunities for our students beyond the Lincoln locality e.g. attendance at National Graduate Recruitment Show, National Engineering Show.
- Growing the 'Lincoln Award', an achievement award designed to enhance employability by providing recognition of extra-curricular activities.
- Providing dedicated support to our students interested in starting their own business or becoming self-employed.
- The service successfully passed the first year review of it's external Matrix quality standard assessment framework, which recognised a continued high standard of service delivery and good progress against suggested enhancements from the successful Matrix assessment of 2012/13.

Research, Enterprise and Income Diversification

Our external income and contribution levels from research, educational contracts and consultancy activity have continued to experience growth. This has been particularly pleasing during a difficult economic period for the wider economy.

As we continue to invest strategically in our research a key driver has been the recruitment, retention, training and development of high calibre researchers and postgraduate research students; not only to enhance our capacity and capability for cutting-edge research and our reputation, but also to ensure that our students will be educated in an outstanding research-informed environment.

Towards this end we have developed our provision for researcher development by establishing an annual programme of training and development events for academic staff. Alongside this we are developing support structures for our early career researchers, recognising the requirement for support and mentoring of junior members of staff.

With a strong focus on high quality research the University continues to invest in an annual Research Investment Fund to assist academic staff with the development of new strategic research opportunities to support our research infrastructure.

In a highly competitive funding environment we continue to promote research of international excellence and impact, building strong academic leadership. We are building on our success over the past year, continuing to secure prestigious Research Council funding. We recognised the need to diversify our income streams and develop our activities with other funders such as Innovate UK and Horizon 2020.

Taking on board the recommendations of the Wilson review, we are developing our activities with industrial partners and utilising government funding to leverage larger external investment, building strategic research collaborations to translate the outputs of our high quality research to provide innovative solutions to real world problems. This will further enhance the development of academic staff and build on our existing IP portfolio. This also allows us to define the role of the University as an anchor institution to its surrounding region, addressing grand challenges, delivering impact concerned with wider social outcomes and enhancing its stature and reputation. In order to maximise the scientific, economic, social, cultural impact of research we are seeking to further engage with research users/stakeholders throughout the research lifecycle, from design to delivery.

We continue to build on our relationships with our strategic partners, whilst developing our support for local and national SMEs, in particular through our portfolio of innovative Knowledge Transfer Partnerships (KTPs).

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for the year ended 31 July 2014

To further develop a research support environment that is facilitatory and enabling, we have invested in the creation of new posts to drive forward a pro-active interdisciplinary research culture, encouraging innovation and specialising in RCUK/Charities and EU funding opportunities.

As we continue to invest strategically in research infrastructure, facilities and research support we are continuing to develop our Awards Management System to support research proposal development from initial budget through to post award project management, and are progressing our Phase 2 project which will be rolled out from 1st November 2014. This cradle to grave approach also allows us to monitor our income generation per discipline and identify where the need for support is in our academic community and tailor this accordingly.

As a result of a series of facilitated workshops and training sessions we are leveraging strategic areas of academic strength in the University and bringing people together to foster new collaborations which span across departments to address problem-based issues. Through the creation of Research Centres and groups the interdisciplinary themes will be progressed by cross-cutting structures and vehicles, and will also be accounted for as such in planning and budgeting.

We have a thriving research portfolio, which will be evidenced in the forthcoming REF2014 results. To further develop a forward-looking research culture, particularly around publishing practice and impact planning, we will link with other professional research managers nationally to help Lincoln be a major voice and beneficiary of innovative thinking and best practice in these areas.

Engagement with Business and Contribution to the Local Community

Engagement with strategic business partners

In 2013/14 we continued to build upon our engagement with strategic business partners, looking to develop wider and deeper relationships of the type we have with Siemens (we are one of only five UK principal partner institutions). The success of this partnership continues to attract national attention, including being highlighted in the, government-commissioned, Witty Review as an important example of the way in which industry and academia can collaborate.

This year we have worked to implement and grow our plans for the Lincoln Science and Innovation Park (LSIP) in a joint venture with the Lincolnshire Co-operative (levering initially up to £14m investment) to create a hub of science and technology adjacent to the Brayford Campus, bringing together academic expertise and commercial tenants. We continue with our management of the Think Tank Innovation Centre, a 33,000 ft² facility next to the LSIP site creating a shared management structure with our incubation centre, Sparkhouse, which provides integrated support to new-start and growing businesses. The University is already acting as the investment magnet for high-value industrial co-location. Together with the City of Lincoln Council and Lincolnshire County Council, we see the development of the LSIP as the heart of a new high-skills employment zone to stimulate the economy of the city and wider region.

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

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

Community engagement

The University has been integrally involved with its local community and economy since its establishment in Lincoln in 1996. With an estimated annual impact on the local economy of circa £250m, and attributed with the creation of more than 3,000 new jobs within the city itself, the direct influence of the University on our local economy is clear.

The University is a partner with the National Co-ordinating Centre for Public Engagement in ensuring that we engage and connect with all of our public spheres. This is a two-way mechanism that helps to better describe the essential work of the University through our teaching and research, and also demonstrates that we listen to the ideas and interests of our communities.

The University engages through a wide array of staff and student voluntary contributions, supporting trusts, charities and third-sector organisations with shared expertise. Members of staff act as school and academy governors, volunteers for charities, advocates for social improvements and better inclusion in Higher Education. Students engage, for example, in community support ranging from fundraising for charities, keeping the campus and environs tidy and helping digitise thousands of files in Lincolnshire Archive collections.

The University has also launched the Lincolnshire Children's University offering 5-14 year olds the opportunity to accumulate credits for extra-curricula activities during their time at school, and to build up to being awarded their own Children's University degree. The level of demand to participate from schools and other delivery destination organisations has revealed a profound appetite to support Lincolnshire children consider the options of further, higher and apprentice level education as natural next steps in their personal development.

Business Incubation

Sparkhouse Incubation Centre continues to grow successfully, having now supported more than 300 new businesses to establish and develop. The centre has received national awards, and Sparkhouse is accredited as 'leading edge' by UKBI, providing a physical focus for enterprise activity across the institution, a gateway for

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employers into the University and a resource for use by all. The space for rent has operated at nearly 100% occupancy and the shared facilities heavily utilised by staff, students, graduates and growing businesses.

Greater Lincolnshire LEP

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

CPD in Lincolnshire

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

Public Lecture Programme

This year, the University continues its successful Public Lecture Programme, our umbrella series of high-profile events open to the public. The Engine Shed continues to operate as the largest live music venue in the sub-region, and The Lincoln Performing Arts Centre hosts a wide variety of performing arts including drama, comedy, ballet, contemporary dance and classical music. More than 150,000 members of the public have attended one of these cultural performances through our Public Lecture Programme, the Lincoln Performing Arts Centre or the Engine Shed.

The Great Minds lecture series welcomes renowned speakers from around the world to share their experiences with local school children and members of the public. Recent speakers have included Nicholas Parsons, Professor Lord Robert Winston and Astronomer Royal Professor Lord Martin Rees.

Community volunteers team

In partnership with the Students' Union, there are more than 600 staff and students registered for voluntary work in the local community. The Community Volunteers Team has established links with more than 200 community partners and local branches of national charities, offering a brokering service to help fill local volunteering opportunities. Siren FM, our community radio channel (the first in Lincoln), completed its first five-year licence from OFCOM and was duly awarded a further five year extension in recognition of the 18,000 hours of original programming broadcast by community and student volunteers.

Staff and Organisational Development

Strategy

During 2013/14 our strategic focus was on delivering the key projects and initiatives highlighted within the 'People Plan'. The overall ambition and focus of our work is to create an environment which challenges and supports our staff to develop and grow with the University. This set the context for us and meant that we have concentrated on enhancing people's performance and development as well as improving the capability of our technology.

Progress

Our review of progress in delivering the Human Resource related strategic objectives demonstrates that in 2013/14 we achieved the following:

- Implemented a common system for capturing academic workload across all Schools;
- Procured and implemented a new integrated HR and payroll system;
- Auto-enrolment; the University successfully complied with required actions of the Pensions Act by bringing in to place all required process changes upon the "Staging Date" of the 1st August. This was further supported by the introduction of a Financial Education programme;
- Pension LGPS; in compliance with the Public Service Pensions Bill all active scheme members were transitioned from a final salary accrual basis to a career average scheme from the 1st April 2014;
- Staff survey; conducted biennial survey achieving an overall response rate of 70% with 96% of respondents agreeing that the University is a good place to work. Our results placed us second in the Capita 'Employer of Choice' ranking out of 44 Higher Education institutions;
- Athena Swan; achieved a bronze award for the organisation in recognition for our commitment to advancing women's careers in science, technology, engineering and mathematics. Our submission included a clear commitment to making further improvements and we have produced an action plan to ensure that we are able to monitor our progress over the next three years;
- Academic appraisal; conducted a review of the current academic appraisal process through the establishment of a cross University group which has produced a series of recommendations for SMTs consideration; and
- Student engagement; students now sit on all recruitment interviews to recruit staff into student facing roles which places them at the heart of appointments as well as offering them the opportunity to develop their own interview skills.

Operating and financial review

for the year ended 31 July 2014

Employer branding

Following the implementation of our new E-recruitment system we have commenced work on developing our brand to ensure that we increase our attractiveness to potential applicants. This is monitored through the volume and quality of applicants which for academic roles have increased by 40% over two years.

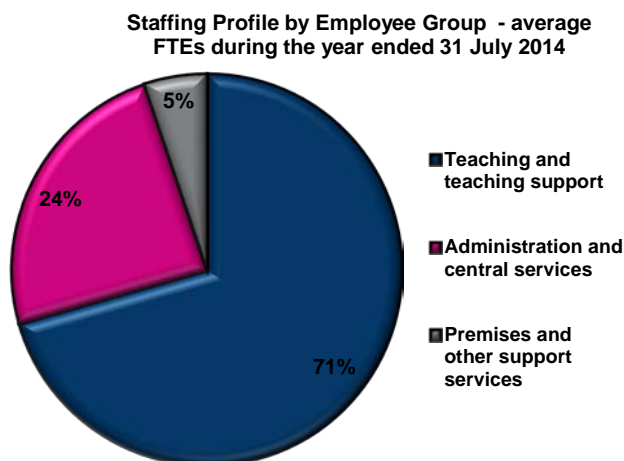
The University received external recognition from the HR profession for its initiatives in developing the workforce.

Staffing profile

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

The graph opposite sets out our current average staffing profile by employee group during the year ended 31 July 2014.

Average total staff numbers have increased with 1,255 FTEs during year ended 31 July 2014 (2013: 1,158 FTEs).



Physical Infrastructure and Capital Expenditure

Estates strategy

The Estates Strategy 2009-14, which was adopted by the Board of Governors in February 2010, sets out the University's estate development priorities over the 2009-14 period. The strategy also sets key targets in terms of carbon reduction and space efficiency improvements and links with institutional ICT investment planning. An Estates Strategy 2015-20 will be produced in 2015 in conjunction with the forthcoming Strategic Plan 2015-20.

Progress

Progress against the Estates Strategy 2009-14 during the 2013/14 financial year includes:

- The University was placed 29th out of 111 institutions nationally in the 2014 Times Higher Education Student Experience Survey, well inside the top third of the league table. As in 2013, the campus and facilities scored highly, including a 6th place for "centralised / convenient facilities"; 11th place for "good security"; 26th place for "high quality facilities"; and 26th place for "good environment on campus / around university". The 2014 survey was based on responses collected up to June 2013; we expect another strong set of results in 2015 as a result of this year's improvements to the campus.
- Completion of the construction of the Joseph Banks Laboratories and Minster House providing new space for the Schools of Chemistry, Life Sciences and Pharmacy in the first phase of development of the new Lincoln Science & Innovation Park (LSIP) site. This facility provides over 6,200 square metres of purpose-built laboratories, teaching spaces, offices and other spaces to support the Schools' research, teaching and other activities.
- Outline design has been completed for the new Psychology, Health & Social Care building planned for the Wigford Yard site. The current programme is for delivery by September 2016 with construction work programmed to commence in May 2015. The project will release significant space across campus and the University has plans in place to fully repurpose this. The Business School and Wigford Yard site was awarded the East Midlands RICS Regeneration Scheme of the Year 2013 and reached the national finals.
- Outline design has been completed for the new Isaac Newton Building, which will house Computer Science, Engineering, Mathematics, Physics and Siemens on the sites to the east and south of the existing Engineering Building. The project will be delivered in two phases, with the first phase due for completion by December 2015.
- Following approval of the Campus Masterplan in March 2013 and the start of implementation during 2013/14, the team will refresh the Masterplan during 2014/15 to ensure currency and alignment with the forthcoming Strategic Plan and Estates Strategy.
- Completion of the South East Quadrant landscaping from the Library and Students' Union to the Science Centre. The team is now awaiting completion of work on the Brayford Wharf East bridges by Network Rail before the North East quadrant landscaping can be completed.

Operating and financial review

for the year ended 31 July 2014

- Continued development of the Planon facility management software suite, which is resulting in significant efficiency and effectiveness improvements to key estate management processes. Phase 1 (space management) was successfully completed in 2012 and has enabled further significant progress in space management during 2013/14. Phase 2 (asset and maintenance management) is now well advanced. Reactive maintenance, cleaning, portage and security processes are now integrated within the system.
- Commencement of the new integrated hard and soft facilities management contract, which is the main framework for provision of maintenance, cleaning, portage and security services across all campuses until 2016. These services are carried out through a collaborative term services contract by two suppliers, in lieu of 37 previous suppliers.
- Completion of improvements to central pool teaching spaces to support enhanced teaching and learning, most notably the expansion of the Jackson Lecture Theatre to accommodate growing lecture group sizes, and reconfiguration of the third floor of the Minerva Building to better support Student as Producer.
- The residential agency has grown substantially and now serves circa 400 bedrooms in Lincoln. Nomination agreements were put in place supporting the development of a further 700 bedrooms of new build residences. The new industry leading automated residential allocation and management software programme (Occam Room Service) has been successfully installed.

Environment and Sustainability

Energy and carbon emissions

The flexible energy procurement for electricity and gas has now become well established and the University has been able to take advantage of falling wholesale energy prices. This approach to energy procurement has also meant that supplies for newly acquired buildings can be easily added to the contract.

Energy consumption and carbon dioxide emissions from the Brayford Campus have continued to fall. Due to energy efficiency improvements electricity consumption for the Brayford North Campus is 1.3 million kilowatt-hours below the 2007/08 level – saving over £100,000 per annum at current electricity prices.

The University has continued to invest in energy saving projects through its HEFCE and Salix Finance funding – including the refurbishment of the Student Village and new LED street-lighting. A new group of energy saving projects is currently being planned for 2014/15 and the opportunity to bid for new funding is being investigated.

Sustainable transport

In late 2013 a new staff and student travel survey was undertaken. This was the first staff travel survey undertaken at the University where single occupancy car usage was below 50%. Following on from the survey a new Travel Group has been established to focus on transport issues at the University.

The Student Travel Survey revealed that 77% of undergraduates travel to the University by foot – according to the HESA data this is the third highest pedestrian percentage for an English university. Most students at the University of Lincoln do not have to pay public transport charges to get to the University, a distinct benefit to prospective students when compared to other Universities.

The CycLin cycle hire scheme for students has continued to be fully subscribed. Funding has been secured to expand and replace the fleet of bikes over the next two years.

Sustainable buildings

A new standard specification for Sustainable Building has been produced setting out how new building projects at the University can minimise their environmental impacts and running costs. The document will be developed as new projects come forward and will be given to the project design teams.

Future Developments

The University, like most higher education institutions, is reviewing how it operates its business in response to the ongoing challenges of the new funding regime. Government changes to student number controls and immigration, along with changing student behaviours and demand patterns, will force changes to the University's student profile and portfolio. The University continually monitors the market and will manage these changes to enhance its mission and performance.

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

2013/14 was a very successful year with a record surplus and strong cash generation, allowing us to invest significantly in the physical and technological infrastructure of the University. Our strong financial position will also allow us to leverage additional funds to support our ambitious growth programme, further enhancing the student experience and research agenda. The development of our estate, provision for new subjects, alongside the progression of the Science and Innovation Park will make 2014/15 a very exciting year for the University.

Operating and financial review

for the year ended 31 July 2014

Section 4 - Financial Performance

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

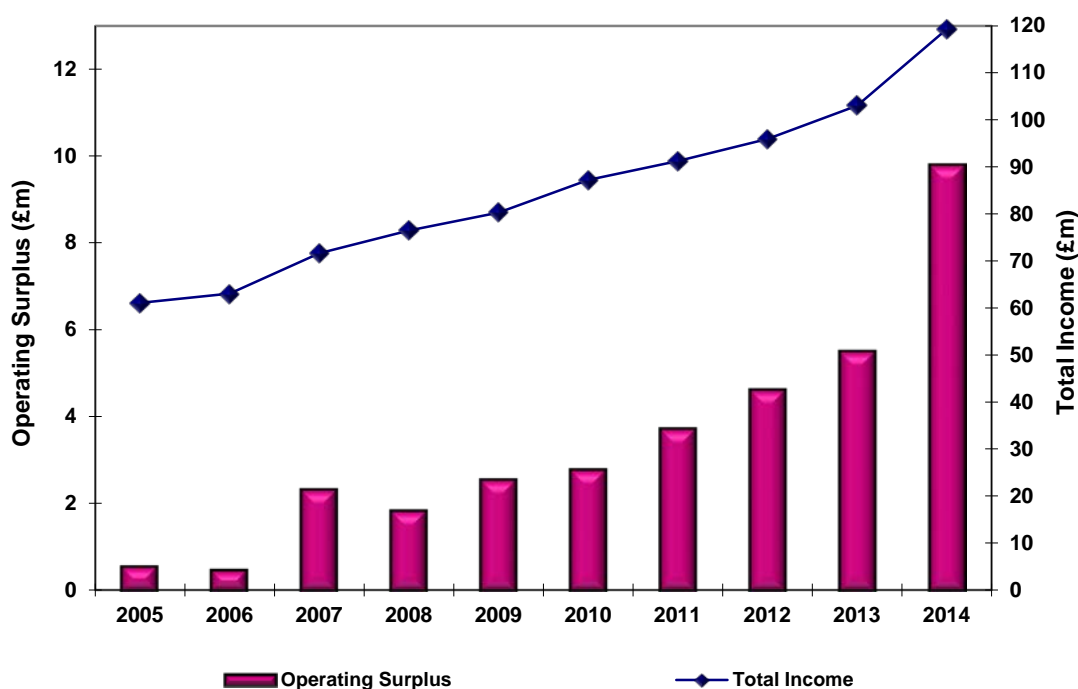
Income and Expenditure Account

Historical trend

Income and Expenditure Account – Year Ended 31 July 2005 to 31 July 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	£'000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	61,059	63,047	71,652	76,462	80,275	87,239	91,255	95,915	103,032	119,306
Operating costs	(54,923)	(58,176)	(65,028)	(69,612)	(72,457)	(78,814)	(82,252)	(85,338)	(89,545)	(100,327)
EBITDA	6,136	4,871	6,624	6,850	7,818	8,425	9,003	10,577	13,487	18,979
Depreciation	(3,312)	(2,807)	(3,259)	(3,948)	(3,739)	(3,688)	(3,892)	(4,253)	(4,995)	(6,062)
Interest and financing	(2,261)	(1,584)	(1,031)	(1,057)	(1,517)	(1,949)	(1,378)	(1,694)	(2,975)	(3,104)
Operating Result	563	480	2,334	1,845	2,562	2,788	3,733	4,630	5,517	9,813
Staff restructuring	(536)	(2,341)	(665)	(421)	(714)	(817)	(1,693)	(1,321)	(782)	(359)
Profit on disposal	105	13,461	935	396	-	15	-	583	-	-
Other 'exceptional'	(580)	(870)	-	-	-	(1,355)	(581)	(800)	(1,600)	850
Taxation	(3)	5	(6)	-	-	-	-	-	-	-
Net surplus/(deficit)	(451)	10,735	2,598	1,820	1,848	631	1,459	3,092	3,135	10,304

Financial Performance - Historical Trend
Year Ended 31 July 2005 to 31 July 2014



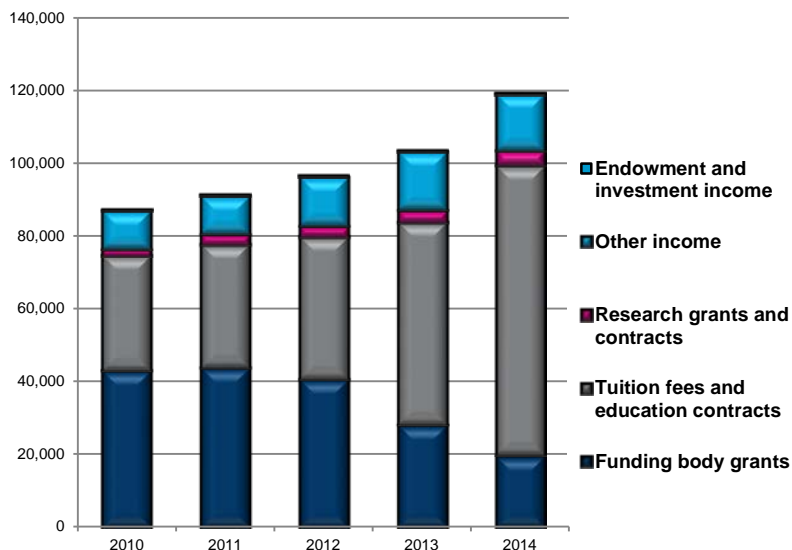
Operating and financial review

for the year ended 31 July 2014

Income

Our income is derived from three principal sources: funding body grants, tuition fees and education contracts and other income. As a consequence of the changes to the overall funding model for English HEIs the amount of income being received from funding body grants has continued to reduce in 2013/14. As we progress through year three of the new fee regime this will reduce further with compensating increases in tuition fee income.

Income Analysis - Year Ended 31 July 2010 to 2014



Current year tuition fees are 67% of total income (2013: 55%), with funding body grant income representing 17%. (2013: 28%)

Tuition fees are forecast to increase to 78% by 2014/15 with funding body grant income forecast to reduce to 9%.

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

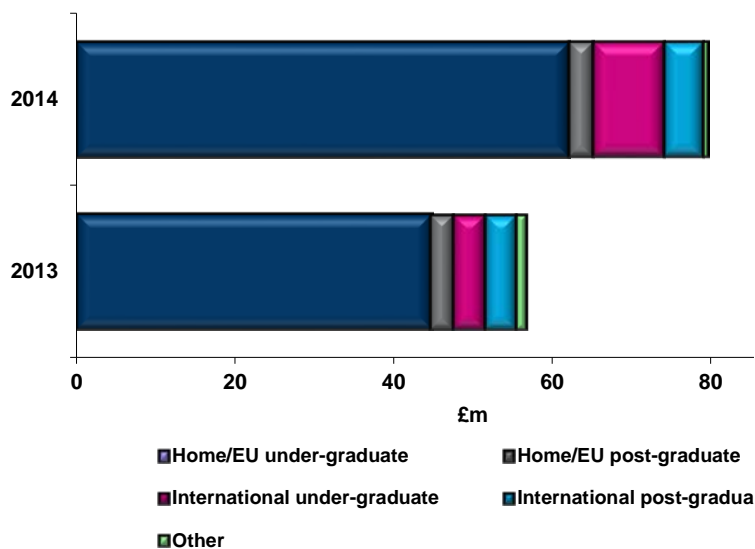
Income before exceptional items increased by 15.8% year on year, from £103.0m in 2012/13 to £119.3m in 2013/14. The reduction in funding body grant income of £8.3m was more than offset by increases in tuition fee income and other income. Tuition fee growth is considered in further detail below.

**Analysis of Tuition Fees and Education Contracts
Year Ended 31 July 2014 vs 31 July 2013**

Tuition fee income has increased by £22.6m from 2012/13 to 2013/14.

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

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



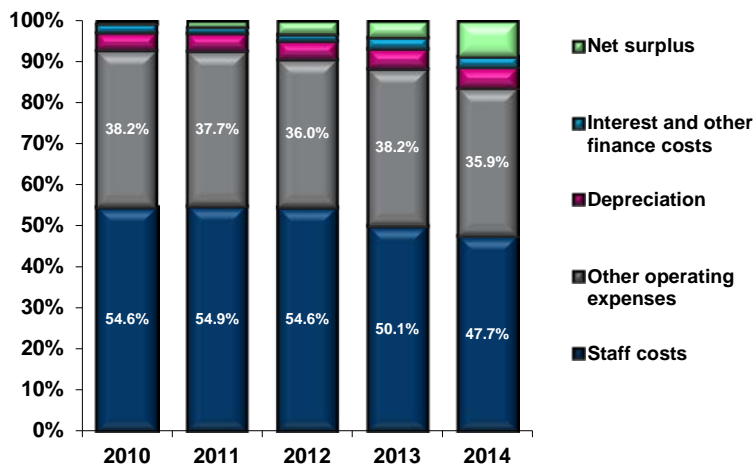
Operating and financial review

for the year ended 31 July 2014

Expenditure

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

Expenditure Analysis - Year Ended 31 July 2010 to 2014



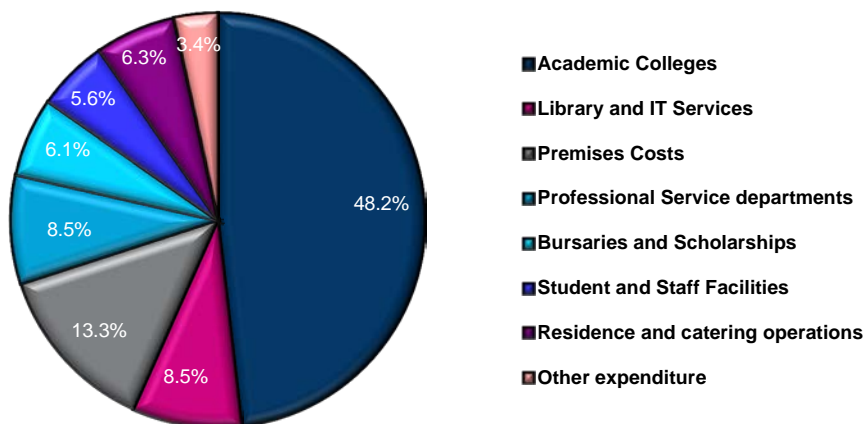
Despite the increased income and activity levels, costs have been contained resulting in an increased surplus.

This surplus has been reinvested into student facilities on campus.

The University's total annual expenditure increased by 9.1% during 2013/14. The University has ensured that all costs have been closely monitored and controlled with the increased student income being invested in improving the student experience. Substantial investment has been made in the Academic Colleges supporting the research-led teaching agenda along with significant levels of increased bursaries and scholarships.

The chart below shows a breakdown of the University's expenditure in 2013/14.

Where the University Spent its Money - Year Ended 31 July 2014



Non-operating items

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

Balance Sheet

The consolidated balance sheet is detailed in the financial statements that follow. Total net assets (excluding the pension liability) have increased by £11.0m to £110.8m (2013: £99.8m). The liability in respect of the Local Government Pension Scheme (LGPS) has increased to £37.7m (2013: £34.4m).

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

Operating and financial review

for the year ended 31 July 2014

Tangible assets

Tangible fixed assets have increased to £150.1m (2013: £139.7m), with capitalised expenditure during the year of £16.8m. Key projects included:

- The completion of Joseph Banks Laboratories and Minster House, which opened in September 2014;
- The purchase of scientific equipment for the new schools of Pharmacy and Chemistry; and
- The continued refurbishment works at the Lincoln Courts student residences.

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

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

Net current assets

Net current assets have decreased to £14.6m (2013: £16.0m). The University continues to manage working capital to ensure that sufficient liquid funds are available to meet short term liabilities.

Long term liabilities

Creditors due after one year of £52.3m (2013: £52.7m) primarily relate to bank loans. There have been no breaches of any existing or new loan covenants during the year.

Pension liability

As noted above, the net liability in respect of the Local Government Pension Scheme (LGPS) has increased to £37.7m (2013: £34.4m). The provision is based on estimates provided by the University's actuary in accordance with FRS17. The shortfall and deficit position at the current year end are in line with most other public sector bodies. However, the funding position has deteriorated during the year because the yield on long dated gilts has reduced. Gilt yields are used to estimate the current level of pension scheme liabilities and reductions in gilt yields will increase the current value of the pension liability. We do not anticipate that the funding shortfall will have any material impact on our ongoing activities.

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

Reserves

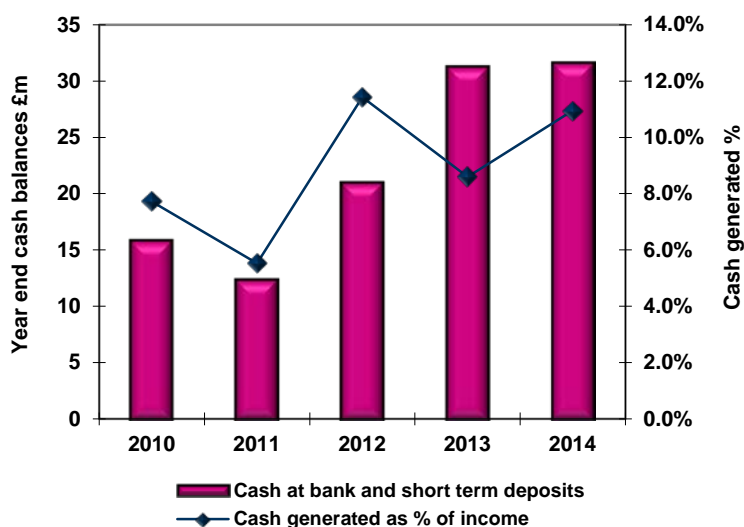
Total reserves have increased to £39.5m (2013: £32.5m). The movement reflects the surplus for the year of £10.3m transferred to reserves and the actuarial loss on the pension scheme of £3.3m.

Cashflow

Cash generated

The consolidated cashflow statement shows that the net cash inflow from operating activities during the year was £15.3m (2013: £10.5m). Cash at bank and short term deposits (including endowment assets) increased from £31.4m at 31 July 2013 to £31.7m at 31 July 2014.

Cash Analysis - Year Ended 31 July 2010 to 2014



Cash generated from operations was 10.9% of total income for 2013/14. For the purposes of internal reporting this is stated after net interest charges, effectively representing cash generated for reinvestment.

Cash balances, borrowings and net debt have all remained relatively constant compared to 2012/13. All cash generated from operations has been reinvested back into the University facilities.

Borrowings and net debt

As at 31 July 2014 the University's borrowings amounted to £53.5m (2013: £53.2m). Cash at bank and short term deposits (including endowment assets) were £31.7m (2013: £31.4m) resulting in a net debt position of £21.7m (2013: £21.7m).

Operating and financial review

for the year ended 31 July 2014

During the year the University drew down the latest tranche of the The Royal Bank of Scotland plc facility (£1.1m). A further £1.7m is due to be drawn down from the The Royal Bank of Scotland plc facility over the period to December 2015 to fund the continuing backlog refurbishment works at The Lincoln Courts.

Most of the University's borrowings are now on fixed interest rates (see below).

Treasury Management and Financial Instruments

Treasury management

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

Financial instruments

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

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

The University has fixed the interest rate of 96.6% of all drawn down borrowings and 93.7% including the undrawn Royal Bank of Scotland plc facility.

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

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

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

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

Going Concern and Liquidity

The University ended the year with cash resources (including endowment assets) of £31.7m and bank borrowings of £53.5m, leaving net debt standing at £21.7m. All of the University's external funding is long-term in nature with 97.3% repayable beyond one year and 78.5% repayable beyond five years. All bank loan covenants are expected to remain compliant in future years.

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

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

Operating and financial review

for the year ended 31 July 2014

Section 5 – Key Performance Indicators

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

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

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

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

Section 6 – Risks and Uncertainties

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

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

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

Members of the Senior Management Team provide regular briefings to the Audit Committee, allowing Governors to monitor the assessment, mitigation and response to institutional risk. Further detail on the University's risk management policies is set out in the 'Statement of corporate governance and internal control' on pages 23 and 24 of these financial statements.

Section 7 – Public Benefit: The University as a Charity

“Universities and higher education are worthwhile in their own right. They transform the lives of individuals and shape our society for the better. But today we are ... focusing on the fact that universities are also powerhouses for economic growth. They are a vital part of the government’s long term economic plan to build a more resilient economy and create jobs. A university can be the heart that pumps new life into a town or city. Lincoln University is a wonderful example. As one newspaper put it when it opened in 1996, the university was “the best thing to happen to Lincoln since the Romans”. ... One side of the university was built on derelict railway land, which they’ve literally brought back to life, and they are still putting up a new building a year. The university has doubled the size of the local economy, and created 3,000 new jobs. Plus their ethos is that it is all about turning out graduates with the skills employers really want. ... This is growth and transformation in action”.

(Speech by Universities and Science Minister David Willetts to the Universities UK (UUK) conference. 3 April 2014)

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

As an illustration of this, Lincoln was cited as an example of excellence demonstrating the regional economic impact of universities, in the October 2013 report by Sir Andrew Witty, Chief Executive of GlaxoSmithKline, who was commissioned by the Government to review the ways in which universities drive innovation and business creation. His report, 'Encouraging a British Invention Revolution: Review of Universities and Growth' highlighted the significance of the creation in 2009 of the Lincoln School of Engineering, in collaboration with Siemens plc, and the contribution made to small business growth by Sparkhouse, the University's business incubation centre. Sir Andrew's report also recommended that universities should have a single point of entry for small businesses wishing to access expertise - the University of Lincoln already has this structure in place with its Research and Enterprise department, providing access to business support such as research collaboration and graduate recruitment.

In August 2013, the Vice Chancellor seconded a senior academic to work with her as Director of Innovative Special Projects, liaising with business and community groups on projects such as the introduction of superfast broadband in Lincolnshire.

The University of Lincoln was also shortlisted for the award of Entrepreneurial University of the Year in the Times Higher Education Awards 2013.

Charitable Status

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

Delivery of Charitable Objectives

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

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

Operating and financial review

for the year ended 31 July 2014

The preceding sections of this Operating and Financial Review give numerous examples of how the delivery of our institutional objectives contributes to the public benefit, including in the areas of engagement with businesses and the community, contribution to the local economy, working with partners including charities and the health service, stimulating and supporting enterprise and graduate employability, and focusing on our own environmental footprint. Further examples may be found in 'Community Engagement – Impact of the University of Lincoln' (see://www.lincoln.ac.uk/home/abouttheuniversity/press/publications). The sections below give a picture of how these principles are embedded in the work of the three Colleges that form the central academic structure of the University. There are also activities and projects that go across the Colleges - one such project is a cross-disciplinary collaboration between academics from the University of Lincoln's School of Computer Science, School of Psychology and School of Architecture who are all involved in the development of a unique digital garden which won a Gold award at last year's Royal Horticultural Society Chelsea Flower Show, and has repeated that achievement at the Harrogate Flower Show in September 2014. The Digital Capabilities garden responds to social media by monitoring Twitter and translating the trends into changes in the landscape of the garden. By tweeting, the visitors to the shows directly influence how the garden appears at any one time, with the inner depths of the garden only being seen when public excitement about the show reaches a peak.

College of Arts

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

The College offers a wide range of academic programmes which draw from and contribute to society. It is home to Siren FM, an award-winning 24/7 communication radio station, licensed by OFCOM, which serves both the greater Lincoln area and also globally via internet streaming, and also provides content for a European Community Radio network to an audience of 2m listeners. Students from the Schools of English & Journalism and Film & Media regularly create multi-media content for charitable bodies at low or no cost. 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 an on-going 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 10 Lincolnshire schools, to enable children and young people to create radio productions for broadcast at SIREN. The University of Lincoln advocates and supports change in all areas of public understanding of knowledge, including appreciation of our shared history. The Media Archive of Central England (MACE), which contains the recorded media history of our region, is based within the College. Relationships with professional bodies are particularly effective – for example, the School of Architecture & Design hosts the East Midlands Regional Office of the RIBA.

The College's English and History programmes are committed to ensuring that their world-class research engages general audiences and more specialised groups outside of academic life. The Schools have a particularly strong record of interaction with the local communities in Lincolnshire; for example: medieval historians have worked closely with Lincoln Cathedral to organise public events that examine the significance of the Cathedral's copy of Magna Carta, in the light of 800th anniversary of the signing of the document in 2015.

The Lincoln Performing Arts Centre runs a wide range of engagement activities aimed at encouraging new audiences to participate in the arts. For example, a free weekly drop-in session called "Little Pacts" has been established to host developmental drama activities for pre-school aged children. Workshops have been run by third-year Drama undergraduates for the county's adopted children in partnership with Lincolnshire Social Services (LSS). A second project with LSS has involved training social workers in child protection issues by the use of a "training house" designed by staff and students from Performing Arts. Here, drama students are trained in role play and simulation techniques and participate in an extended role play exercise in the house where social workers come to call to make assessments of the welfare of young children. Our work with Lincoln Hospital has seen second-year students studying Applied Drama work with Hepatitis C patients on the prejudices surrounding this disease. This work was nominated for a 2013 Nursing Times award. Our work bringing the arts, media and health together in innovative ways is set to break new ground with the launch of an innovative Knowledge Transfer Partnership project established in conjunction with colleagues at Rampton high security hospital. Further work of this type includes performance-based projects around women in prisons, with Lincoln prison, and animation used to help patients with learning difficulties develop communication skills, undertaken by Media students in partnership with NHS Lincolnshire.

The University of Lincoln is one of the main partners for the Frequency Festival of Digital Culture, which is now a major biennial event in the East of England arts calendar. A collaboration of disciplines across the College of Arts and beyond, its great success is due also to working with the City and County Councils, other District Councils and, especially, Arts Council England. Such relationships are crucial to the successful public engagement relating to work such as this, and have led to the formation of a new cultural and arts infrastructure for the city of Lincoln, launched during the year of the Magna Carta anniversary commemorations. Other Festival events that include community participation, student and staff contributions and public engagement activity include the Gravity Fields Festival held in Grantham, Gnarl Fest- celebrating new forms of live art, held at the Lincoln Performing Arts Centre each year - and an annual festival based each year on the work of a different contemporary playwright. The College also supports the work of the Lincoln Book Festival.

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The College looks forward to playing a key role in the forthcoming Bomber Command memorial centre which will serve as a springboard for new ways of remembering the past. This builds on previous work in both performance and film focused on bringing to life and memorialising the experiences of those involved in the Lancaster bomber campaign, with performances and screenings created in collaboration with the BBC, local authorities and the RAF.

College of Science

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

In the last year the College has engaged in high profile public engagement activities; for example, the College presented three exhibits at the Royal Society's Summer Science Exhibition, and a "Charles Darwin Award Lecture" at the British Science Festival.

The College continues to develop public benefit in its research. The School of Computer Science continues its work in medical imaging for diabetes and cancer, and the School of Life Sciences in its research on biomedicine, where work on the molecular basis of disease has expanded with new research in diabetes.

The School of Life Sciences has launched a new MSc in Forensic Anthropology, with a particular focus on international criminal investigations, including post conflict and mass disaster situations.

Members of staff from the new School of Chemistry have been involved in the development of techniques to utilize silver colloids in analytical applications, including the detection of fuel adulteration. The technology is now being successfully developed through a joint venture, Metnano Ltd.

The College continues to be closely involved in setting up the new Lincoln University Technical College, which recruited its first students from September 2014. The University is also supporting the Lincolnshire Science Teaching Network, and hosting a new regional coordination function for the national Further Mathematics Support Programme.

The new Schools of Chemistry and Pharmacy welcomed their first students in September 2014, providing enhanced regional educational opportunities for students, addressing regional skills shortages, and providing collaborative research and development opportunities for local organizations who are working with the new Schools, including defining the curriculum and supporting delivery. There is a strong partnership with the Lincolnshire Cooperative, the largest community pharmacy provider in the region, which will provide teacher-practitioners and training opportunities for students in Pharmacy.

The College will play a key role in supporting the growth of the Lincoln Science and Innovation Park, which has recently secured funding to build innovation facilities next to the University's new Joseph Banks Laboratories, which open in 2014 to provide scientific facilities to the Schools of Life Sciences, Chemistry and Pharmacy.

College of Social Science

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

The School of Health and Social Care delivers a range of courses that supply graduates to the health, social care and third sector workforce to meet local, regional and national demands. Undergraduate programmes include nursing (adult and mental health fields), social work and health and social care. The School also offers 'Learning beyond Registration' short courses including non-medical prescribing, diabetes, mental health, critical care and clinical leadership. The School worked with the Patient Safety Team at NHS Improving Quality, NHS England (Midlands and East) to hold the first ever student nurse conference dedicated to pressure ulcer prevention. The idea grew from a single tweet between Ruth May, Chief Nurse for NHS England (Midlands and East) and Lincoln student Charlotte Johnston, then in the first year of the BSc Nursing programme. The collaboration was shortlisted for the Student Nursing Times Awards 2014.

The Lincoln Institute for Health is a new and developing cross-university research collaboration, formed to research key health and social care problems using a multidisciplinary and multi-professional 'cell to community' approach. The Institute seeks to work in partnership with health, social care and third sector services nationally and regionally, as well as with academic partners and policy groups, undertaking research designed to understand the fundamental molecular and cellular mechanisms that underpin disease, to develop and deliver diagnostic tools and therapeutic treatments to improve human health, and to improve the practical delivery of health and social care to make positive changes to people's lives.

Health researchers from the Community and Health Research Unit (CaHRU) at the University of Lincoln, in conjunction with Lincolnshire Community Health Services NHS Trust, are taking part in an international clinical trial exploring whether electronic 'telemonitoring' systems could help in the treatment of elderly people with complex health problems. These systems enable doctors to remotely receive useful clinical data, such as blood oxygen levels, through technology installed in the patient's own home. The aim is to help patients better manage their own condition and alert health professionals more quickly to early warning signs of deterioration, potentially improving patients' quality of life and reducing the number of emergency hospital admissions. The Community and Health Research Unit (CaHRU) has also been working on a major new study that has demonstrated that the introduction of checklists and better feedback for ambulance crews as part of a national quality improvement project has

Operating and financial review

for the year ended 31 July 2014

significantly improved the standard of care for heart attack and stroke patients across England.

The School of Psychology delivers a range of undergraduate Psychology programmes including, clinical and forensic options. The postgraduate portfolio includes a taught doctoral Clinical Psychology programme run jointly with the University of Nottingham. 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. In collaboration with a visual impairment specialist education provider (the WESC Foundation), researchers are developing and evaluating a computer game to improve vision in children with visual field loss following brain injury. This two year project draws on previous research examining the benefits of visual search training in adults with Hemianopia and also aims to get more knowledge of visual neuroscience into practice in special education.

The Lincoln Business School (LBS) has continued to build on its excellent record of offering courses for those in work. Links with Britain's armed forces continue to grow, and the LBS was pleased to launch three new work-based distance learning degree programmes designed specifically for serving members and available to personnel across the Army, Navy and RAF, as well as their civilian colleagues in the Ministry of Defence. Staff from the LBS were asked this year to deliver regular training for the United Nations Standing Police Capacity. The training is designed to help the organisation better understand how to lead change in a multi-cultural context, including the development of engagement strategies for internal and external stakeholders.

Research by academics from LBS into entrepreneurial learning has informed and influenced national and international policy on enterprise education, including the Quality Assurance Agency's 2012 guidance on enterprise and entrepreneurship in higher education.

Undergraduate teaching and learning in the Lincoln Law School is highly vocational in character. Value is added by practical experience such as the Law Clinic where students can gain real-life experience under academic staff supervision. Students also gain valuable experience visiting a range of community groups to explain and discuss complex legal issues.

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, to name but a few. Members of the Health Advancement Research Team (HART) in the School of Sport & Exercise Science have recently started a research study with the Lincolnshire Health Trainer Service, part of Lincolnshire District Council. A 'health trainer' is tasked with promoting and encouraging health behaviours, and offers practical support to people in the local community who request help with a number of health issues (smoking, physical activity, healthy eating, etc.). As an integral part of their continuing professional development activities, the Health Trainer Service has visited the Human Performance Centre and engaged in a research study that investigates their role as part of the wider healthcare team. Based on a nascent literature on the Health Trainer occupational role, the results will continue to build on the understanding of this complex community role, which has been operating across England since 2004.

Business innovation and incubation

The University's award-winning business incubation centre, Sparkhouse, opened in 2003. Since then it has helped more than 285 new companies to get started and grow. Many of these businesses have been started by our own graduates, relating in particular to the innovative use of technology, including product design, graphic design, marketing and architecture. Recognising that not every new business requires a physical office space, the University developed and launched a virtual office scheme to expand the offer of support to a wider section of the local economy. This service is tailored to individual needs but at its heart remains access to accredited incubation support and advice, helping businesses thrive in a difficult economic climate.

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 2013/14, 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. Graduates will only have to pay back the loan once they are earning in excess of £21,000 per year. Continuing undergraduate students remain on the previous fee levels, set by central Government each year.

The level of tuition fees charged by the University for 2013/14, approved through OFFA, was linked to the provision for students from low income backgrounds, of the University of Lincoln Support Package. This package of support means that all eligible students (approximately one in three of the University's 2013/14 entrants) receive £3000 in direct financial support in the first year of their course, with lower amounts being available for future years. This Support Package enables students and their families to use the financial support they receive flexibly, in the way that best meets their own needs and as such is an explicit commitment to student choice and empowerment. The University has a team of professional staff committed to ensuring that students with particular needs receive good advice and appropriate financial assistance. Our aim is that nobody should be deterred from applying to the

Operating and financial review

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University of Lincoln, or considers leaving their course, due to financial issues.

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

The 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 2013/14, a total amount of £5,000 was paid in respect of claims made by 8 Governors. This figure represents out-of-pocket expenses by the Trustees as members of the University governing body in attending meetings and other events, primarily travelling costs. Things such as hotel accommodation and meals relating to Board meetings are organised centrally by the University Secretariat and such costs are not included.

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

Statement of corporate governance and internal control

for the year ended 31 July 2014

The University of Lincoln is an independent institution, established as a higher education corporation under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in its Instrument and Articles of Government. The following statements are provided to enable readers of the financial statements of the University of Lincoln and of this Operating and Financial Review to obtain a better understanding of the governance and legal structure of the University.

Responsibilities of the Board of Governors

The Governance Code of Practice of the Committee of University Chairs (CUC) states that “Every higher education institution shall be headed by an effective governing body, which is unambiguously and collectively responsible for overseeing the institution’s activities”. The HEFCE Memorandum of Assurance and Accountability emphasises the governing body’s “ultimate responsibility that cannot be delegated for overseeing the HEI’s activities, to determine its future direction, and to foster an environment in which the HEI’s mission is achieved”. The Board of Governors is the University of Lincoln’s governing body, responsible for matters including the finance, property and staffing of the University. It is specifically required to determine the educational character and mission of the University and to set its general strategic direction.

The Board of Governors has a majority of independent members, chosen in accordance with the criteria contained in the legislation. The chair is elected from among the independent members. The Board also includes co-opted members and members appointed from the University’s staff and the student body. The Vice Chancellor of the University, Professor Mary Stuart, is a member of the Board of Governors. No members of the Board receive any payment for the work they do as Governors. Conscious of the need for succession planning and refreshment of its membership, the Board undertook a search for new members during 2013/14 and is very pleased to have appointed five new Governors from 1 August 2014.

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

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

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

Corporate Governance

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

Between 1 August 2013 and 31 July 2014, the Board of Governors met on eight occasions. It also held an Awayday, together with the Senior Management Team, focusing on the theme of the University’s activities in the context of an increasingly global market, and a world of digital delivery. The Board has two sub-committees. The Remuneration Committee, whose role is to determine the remuneration of the most senior staff, including the Vice Chancellor, met twice. The Audit Committee met four times; its role includes the consideration of detailed reports with recommendations for the improvement of the University’s systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the Funding Council relating to the University’s business, and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members

Statement of corporate governance and internal control

for the year ended 31 July 2014

of the Committee. The University's external and internal auditors attend Audit Committee meetings, and once a year the Committee meets the auditors on their own for private discussions.

The University of Lincoln Court, which was set up in June 2011 in recognition of the part played by the people and businesses of Lincolnshire in the establishment of the University, brings together major figures of the region and beyond in business, education, arts and the professions who have a serious interest in the University and its future, and who can act as ambassadors and advocates of the institution in many wider forums. The Court met in November 2013 and June 2014, presided over by the Chancellor, Lord Adebowale of Thornes CBE.

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

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

Internal Control

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

The approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks becoming a reality. Review procedures cover business, operational, reputational and compliance as well as financial risk. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

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

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

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

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

The Audit Committee has continued its active oversight of University risk management, receiving reports from the Director of Planning and Business Intelligence (the department with lead responsibility for risk management), following review and re-scoring of the high level risk register by the Senior Management Team in November 2013 and June 2014. The Committee commended these reports as assurance that the Executive was keeping the institutional risk profile under appropriate scrutiny, and taking a proactive approach to Risk Management. The Board of Governors also received reports on risk management, in November 2013 and July 2014, and has asked that the Audit Committee should consider a brief update on risk management at each of its meetings, recognizing that in the current HE environment significant changes could occur between the detailed biannual reviews of the high level risk register. The Committee considered the first such update at its meeting in March 2014; and in October 2014 it discussed the latest internal audit report on risk management, noting the auditor's opinion that the University has an adequate and effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

The University's Public Interest Disclosure Policy ('Whistle-Blowing') formally sets out a process whereby employees and students may raise any concerns about malpractice, and how any such concerns should be dealt with. On the recommendation of Audit Committee, the Board of Governors approved revisions to the Whistle-Blowing Policy in March 2014.

Following a full review during the year, a new version of the University's Financial Regulations was approved by the Board of Governors in May 2014.

Statement of responsibilities of the board of governors for the year ended 31 July 2014

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

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

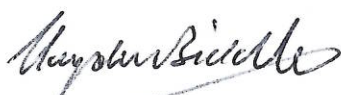
- suitable accounting policies are selected and applied consistently
- judgments and accounting estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements 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 Financial Memorandum with HEFCE (and any other conditions which HEFCE may from time to time prescribe) and with the funding agreements with the Skills Funding Agency;
- 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 Governors with regular reports on internal audit activity within the University, and independent opinions on the adequacy and effectiveness of the University's system of internal control, including internal financial control, together with recommendations for improvement.



Mr H Bidle – 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 2014

We have audited the financial statements of the University of Lincoln for the year ended 31 July 2014 which comprise the statement of accounting policies, the consolidated income and expenditure account, the statement of group total recognised gains and losses, the group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective responsibilities of the governing body and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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's affairs as at 31 July 2014 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 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum and with the funding council.

Matter on which we are required to report by exception

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

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

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

Date: *26 November 2014*

Statement of accounting policies

for the year ended 31 July 2014

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

Basis of preparation

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

Basis of accounting

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

Basis of consolidation

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

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

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

Recognition of income

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

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

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

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

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

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

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

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

Agency arrangements

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

Maintenance of premises

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

Foreign currency translation

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

Statement of accounting policies

for the year ended 31 July 2014

Accounting for retirement benefits

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

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

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

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

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

Tangible fixed assets

(a) Land and buildings

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

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

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

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

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

(b) Equipment

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

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

Leased assets

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

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

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

Stock and work in progress

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

Statement of accounting policies

for the year ended 31 July 2014

Taxation

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

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

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

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

Cash flows and liquid resources

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

Investments

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

Provisions

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

Joint venture entities

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

Consolidated income and expenditure account for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Income			
Funding body grants	1	19,768	28,067
Tuition fees and education contracts	2	79,353	56,802
Research grants and contracts	3	4,206	3,436
Other income	4	15,752	14,455
Endowment and investment Income	5	301	277
Total income		119,380	103,037
Less: share of income from joint ventures	14	(74)	(5)
Net income		119,306	103,032
Expenditure			
Staff costs	6	56,957	51,921
Other operating expenses		42,935	40,068
Depreciation and impairment of fixed assets	12	6,062	4,995
Interest and other finance costs	8	3,104	2,975
Total expenditure	9,10	109,058	99,959
Share of operating profit in joint venture	14	2	1
Surplus after depreciation of tangible fixed assets at valuation		10,250	3,074
Surplus for the year transferred from accumulated income in endowment funds	22	54	61
Surplus for the year retained within reserves	23	10,304	3,135

All items of income and expenditure arise from continuing operations.

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

The notes on pages 34 to 48 form part of these financial statements.

Statement of group total recognised gains and losses for the year ended 31 July 2014

		2014	2013
	Note	£000	£000
Surplus after depreciation of tangible fixed assets at valuation		10,250	3,074
New endowments	22	34	4
Endowments reallocated as unrestricted expendable	22	-	(21)
Actuarial (loss)/gain on pensions	24	(3,340)	5,952
Total recognised gains and losses relating to the year		<u>6,944</u>	<u>9,009</u>
Reconciliation			
Opening reserves and endowments		32,678	23,669
Total recognised gains and losses for the year		<u>6,944</u>	<u>9,009</u>
Closing reserves and endowments		<u>39,622</u>	<u>32,678</u>

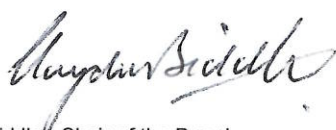
The notes on pages 34 to 48 form part of these financial statements.

Balance sheet

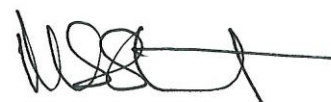
as at 31 July 2014

	Note	Group		University	
		2014	2013	2014	2013
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12	150,136	139,683	150,136	139,683
Investments	13	40	30	215	205
Investment in joint venture:	14				
Share of gross assets		2,107	1,145	-	-
Share of gross liabilities		(2,104)	(1,144)	-	-
		150,179	139,714	150,351	139,888
Endowment assets	15	154	174	154	174
Current assets					
Stocks	16	267	348	88	175
Debtors	17	7,709	8,538	7,790	8,596
Short term deposits		17,127	15,017	17,127	15,017
Cash at bank and in hand		14,463	16,257	14,304	16,026
		39,566	40,160	39,309	39,814
Creditors: Amounts falling due within one year	18	(24,980)	(24,167)	(24,923)	(24,030)
Net current assets/(liabilities)		14,586	15,993	14,386	15,784
Total assets less current liabilities		164,919	155,881	164,891	155,846
Creditors: Amounts falling due after more than one year	19	(52,322)	(52,661)	(52,322)	(52,661)
Provisions for liabilities and charges	20	(1,832)	(3,461)	(1,832)	(3,461)
Total net assets excluding pension liability		110,765	99,759	110,737	99,724
Pension liability	31	(37,736)	(34,370)	(37,736)	(34,370)
Total net assets including pension liability		73,029	65,389	73,001	65,354
Deferred capital grants	21	33,407	32,711	33,407	32,711
Endowments					
Restricted expendable	22	154	174	154	174
Reserves					
Income and expenditure account excluding pension reserve	23	77,204	66,874	77,176	66,839
Pension reserve	24	(37,736)	(34,370)	(37,736)	(34,370)
Income and expenditure account including pension reserve		39,468	32,504	39,440	32,469
Total funds		73,029	65,389	73,001	65,354

The financial statements on pages 27 to 48 were approved by the Board of Governors and authorised for issue on 26 November 2014 and were signed on its behalf by:



H Biddle - Chair of the Board



Professor M Stuart - Vice Chancellor

The notes on pages 34 to 48 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	25	15,289	10,468
Returns on investments and servicing of finance	26	(2,230)	(1,601)
Capital expenditure and financial investment	27	(13,060)	(13,112)
Management of liquid resources	28	(2,110)	2,493
Financing	29	297	14,447
(Decrease)/increase in cash in the year		<u>(1,814)</u>	<u>12,695</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(1,814)	12,695
Change in short term deposits	28	2,110	(2,493)
Change in debt	29	(297)	(14,447)
Change in net debt resulting from cash flows and movement in debt		<u>(1)</u>	<u>(4,245)</u>
Net debt at 1 August		<u>(21,731)</u>	<u>(17,486)</u>
Net debt at 31 July	30	<u>(21,732)</u>	<u>(21,731)</u>

The notes on pages 34 to 48 form part of these financial statements.

Notes to the accounts

for the year ended 31 July 2014

1 Funding body grants	2014	2013
	£000	£000
Recurrent grants		
Higher Education Funding Council for England (HEFCE)	17,869	26,069
Skills Funding Agency (SFA)	672	706
Specific grants		
HEFCE – Higher Education Innovation Fund	529	510
HEFCE – Other specific grants	-	20
Deferred capital grants released in the year		
Buildings	419	407
Equipment	279	355
	<u>19,768</u>	<u>28,067</u>
 2 Tuition fees and education contracts		
Full-time home and EU students	57,115	42,357
Full-time international (non EU) students	12,766	7,607
Part-time students	2,804	2,089
Short courses and summer schools	6,537	4,588
Further education students	131	161
	<u>79,353</u>	<u>56,802</u>
 3 Research grants and contracts		
Research Councils	801	934
UK based charities	740	379
UK Central / Local Government / Health / Hospitals	855	861
UK industry	635	786
European Union	974	401
Overseas	201	75
	<u>4,206</u>	<u>3,436</u>
 4 Other income		
Residences, catering and conferences	8,294	7,822
Other income generating activities	6,948	6,167
Released from deferred capital grants	510	466
	<u>15,752</u>	<u>14,455</u>
 5 Endowment and investment income		
Income from short term investments	301	277
	<u>301</u>	<u>277</u>

Notes to the accounts for the year ended 31 July 2014

6 Staff costs	2014	2013
	£000	£000
Wages and salaries	45,385	42,015
Social security costs	3,748	3,280
Other pension costs (see note 31)	7,465	5,839
Staff restructuring costs	359	787
	56,957	51,921

Average staff numbers by major category, expressed on a full time equivalent basis	Number	Number
Teaching departments	805	734
Teaching support services	130	119
Other support services	74	66
Administration and central services	220	216
Premises	26	23
	1,255	1,158

7 Senior staff emoluments

The emoluments of the Vice Chancellor were as follows:	£000	£000
Salary	224	210
Benefits in kind	2	2
Pension costs	35	34
	261	246

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

8 Interest and other finance costs

	£000	£000
On loans wholly or partly repayable in more than five years	2,557	1,936
Net charge on pension scheme (see note 31)	547	1,039
	3,104	2,975

Notes to the accounts

for the year ended 31 July 2014

9 Analysis of total expenditure by activity

	2014	2013
	£000	£000
Academic departments	46,160	42,926
Academic services	12,024	11,955
Administration and central services	24,861	20,830
Premises	14,544	12,625
Residences and catering operations	6,858	7,362
Research grants and contracts	3,629	2,799
Other expenditure	982	1,462
	109,058	99,959
Other operating expenses include:		
External auditor's remuneration in respect of audit services*	37	34
External auditor's remuneration in respect of other services**	108	34
Hire of equipment – operating lease rentals	175	149

* Includes £37,000 in respect of the University (2013: £32,000)

** Includes £108,000 in respect of the University (2013: £34,000)

10 Exceptional items

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

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

	2014	2013
	£000	£000
Other operating expenses – credit/(charge)	850	(1,600)
Depreciation and impairment of fixed assets	(852)	-

11 Surplus on continuing operations for the year

	2014	2013
	£000	£000
University's surplus for the year	10,313	3,134
(Deficit)/surplus of related undertakings	(9)	1
	10,304	3,135

Notes to the accounts

for the year ended 31 July 2014

12 Tangible fixed assets					
Group and University	Assets in course of construction	Freehold land and buildings	Leasehold land and buildings	Fixtures fittings equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2013	11,583	134,727	11,515	10,894	168,719
Additions	14,481	954	282	1,098	16,815
Disposals	-	(300)	-	-	(300)
Written off	-	(912)	(1,327)	(872)	(3,111)
Transfers	(14,444)	11,357	1,793	1,294	-
At 31 July 2014	11,620	145,826	12,263	12,414	182,123
Depreciation					
At 1 August 2013	-	19,228	3,916	5,892	29,036
Charge for year	-	2,847	424	1,939	5,210
Impairment	-	852	-	-	852
Written off	-	(912)	(1,327)	(872)	(3,111)
At 31 July 2014	-	22,015	3,013	6,959	31,987
Net book value					
At 31 July 2014	11,620	123,811	9,250	5,455	150,136
At 31 July 2013	11,583	115,499	7,599	5,002	139,683

On adoption of FRS 15 (Tangible Fixed Assets), the University followed the transitional provision to retain the book value of land and buildings which were revalued in 1994 by a firm of chartered surveyors, but not to adopt the policy of revaluations in the future. At 31 July 2014, freehold land and buildings included £5,939,000 (2013: £6,826,000) in respect of land which is not depreciated.

13 Fixed asset investments

Group	Other investment
	£000
At 1 August 2013	30
Additions	10
At 31 July 2014	40

University	Shares in related undertakings	Other investment	Total
	£000	£000	£000
Cost and net book value			
At 1 August 2013	175	30	205
Additions	-	10	10
At 31 July 2014	175	40	215

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

The University holds 100% of the ordinary share capital of UL Learning Resources Limited, a charitable company incorporated in England and Wales. The nature of its business is the provision of learning resource facilities, although the company has not traded during the year.

Notes to the accounts

for the year ended 31 July 2014

13 Fixed asset investments (continued)

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 accounts (see note 14).

Other investments represent shares in CVCP Properties plc, a company owned by Universities UK and its member institutions. Other investments also include shares in Metnano Limited, a company invested in during the year to exploit intellectual property with a commercial partner.

14 Investment in joint venture

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

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

	2014	2013
	£000	£000
Income and Expenditure Account		
Income	74	5
Operating profit	2	1
Balance Sheet		
Fixed assets	1,989	1,117
Current assets	118	28
	2,107	1,145
Creditors: amounts falling due within one year	(86)	(1)
Creditors: amounts falling due after more than one year	(2,018)	(1,143)
Share of net assets	3	1

15 Endowment asset investments

Group and University

Balance at 1 August	174	252
Endowments reallocated as unrestricted expendable	-	(21)
New endowments	34	4
Decrease in cash balances held for endowment funds	(54)	(61)
Balance at 31 July	154	174
Represented by:		
Bank Balances	154	174

16 Stocks

	Group		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
Goods for resale	45	110	45	110
Raw materials and consumables	47	69	43	65
Work in progress at cost less applicable progress payments	175	169	-	-
	267	348	88	175

Notes to the accounts

for the year ended 31 July 2014

17 Debtors	Group		University	
	2014	2013	2014	2013
Amounts falling due within one year:	£000	£000	£000	£000
Trade debtors	3,877	4,719	3,877	4,719
Amounts owed by subsidiary undertakings	-	-	109	100
Other debtors	118	150	90	133
Prepayments and accrued income	3,182	3,482	3,182	3,457
	<u>7,177</u>	<u>8,351</u>	<u>7,258</u>	<u>8,409</u>
Amounts falling due after more than one year:				
Other Debtors	352	-	352	-
Prepayments and accrued income	180	187	180	187
	<u>7,709</u>	<u>8,538</u>	<u>7,790</u>	<u>8,596</u>

18 Creditors: Amounts falling due within one year

Secured loans	1,038	803	1,038	803
Unsecured loans	375		375	
Payments received in advance	5,582	5,693	5,582	5,693
Trade creditors	3,878	1,447	3,878	1,399
Other creditors	4,194	4,237	4,193	4,237
Other taxation and social security	1,342	1,095	1,342	1,095
Accruals and deferred income	8,571	10,892	8,515	10,803
	<u>24,980</u>	<u>24,167</u>	<u>24,923</u>	<u>24,030</u>

19 Creditors: Amounts falling due after more than one year

Group and University	2014	2013
	£000	£000
Secured loans	37,438	37,376
Unsecured loans and overdrafts	14,625	15,000
Accruals and deferred income	259	285
	<u>52,322</u>	<u>52,661</u>

Secured and unsecured loans are repayable as follows:

Due within one year or on demand	1,413	803
Due between one and two years	2,361	1,231
Due between two and five years	7,698	7,333
Due in five years or more	42,004	43,812
	<u>53,476</u>	<u>53,179</u>
Due within one year or on demand	(1,413)	(803)
Due after more than one year	<u>52,063</u>	<u>52,376</u>

Notes to the accounts

for the year ended 31 July 2014

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

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

Lender	Amount	Term	Interest rate	Borrower
	£000		%	
Dexia	7,135	2023	5.08	University
Dexia	5,152	2028	5.38	University
Santander	15,000	2035	4.75	University
Royal Bank of Scotland	26,189	2037	4.53	University
Total	<u>53,476</u>			

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

20 Provisions for liabilities

Group and University	Onerous contracts and other matters
	£000
At 1 August 2013	3,461
Used during the year	(92)
Provided during the year and credited to income and expenditure account	(1,537)
At 31 July 2014	<u>1,832</u>
Due within one year	659
Due between one and two years	331
Due between two and five years	842
	<u>1,832</u>

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

21 Deferred capital grants

Group and University	Funding Council		Other Grants		Total
	Buildings	Equipment	Buildings	Equipment	
	£000	£000	£000	£000	£000
At 1 August 2013	18,418	948	13,037	308	32,711
Grants received during the year	647	1,232	-	25	1,904
Released to income and expenditure account	(419)	(279)	(370)	(140)	(1,208)
At 31 July 2014	<u>18,646</u>	<u>1,901</u>	<u>12,667</u>	<u>193</u>	<u>33,407</u>

Notes to the accounts

for the year ended 31 July 2014

22 Endowment funds and linked charities

	2014	2013
Group and University	£000	£000
Balances at 1 August		
Capital	168	246
Accumulated Income	6	6
	174	252
Endowments reallocated as unrestricted expendable	-	(21)
New endowments	34	4
Expenditure	(54)	(61)
At 31 July	154	174
Represented by:		
Capital value	154	168
Accumulated Income	-	6
	154	174

All endowments are restricted expendable.

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

During the year ended 31 July 2013, UL Learning Resources Limited reduced its called-up share capital by £13,931,000 and this was repaid to the University as sole shareholder.

The company is dormant and has not traded during the year. Net assets of the charity at 31 July 2014 were £1 (31 July 2013: £1).

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

23 Income and expenditure account excluding pension reserve

	Group	University
	£000	£000
At 1 August 2013	66,874	66,839
Surplus on continuing operations	10,304	10,311
Transfer to pension reserve	26	26
At 31 July 2014	77,204	77,176

24 Pension reserve

	2014	2013
Group and University	£000	£000
At 1 August	(34,370)	(40,404)
Actuarial (loss)/gain	(3,340)	5,952
(Deficit)/surplus retained within reserves	(26)	82
At 31 July	(37,736)	(34,370)

Notes to the accounts

for the year ended 31 July 2014

25 Reconciliation of consolidated operating surplus to net cash inflow from operating activities	2014	2013
	£000	£000
Surplus after depreciation of tangible fixed assets at valuation	10,250	3,074
Depreciation	5,210	4,995
Diminution in value of fixed asset	852	-
Deferred capital grants released to income	(1,208)	(1,228)
Loss on disposal of tangible fixed assets	47	-
Interest receivable	(301)	(277)
Interest payable	2,557	1,936
Decrease/(increase) in stocks	81	(53)
Decrease/(increase) in debtors	840	(1,557)
(Decrease)/increase in creditors	(1,436)	3,506
(Decrease)/increase in provisions	(1,629)	175
Pension costs less contributions payable	26	(82)
Endowment funds reclassified as unrestricted expendable	-	(21)
Net cash inflow from operating activities	<u>15,289</u>	<u>10,468</u>
26 Returns on investments and servicing of finance		
Interest received	291	296
Interest paid	(2,521)	(1,897)
	<u>(2,230)</u>	<u>(1,601)</u>
27 Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(15,241)	(13,600)
Proceeds from sale of tangible fixed assets	253	-
Purchase of investment	(10)	-
Deferred capital grants received	1,904	484
New endowment received	34	4
	<u>(13,060)</u>	<u>(13,112)</u>
28 Management of liquid resources		
(Increase)/decrease in short term deposits	(2,110)	2,493
Net cash (outflow)/inflow from management of liquid resources	<u>(2,110)</u>	<u>2,493</u>
29 Financing		
New bank loans	1,100	15,200
Repayments of amounts borrowed	(803)	(753)
	<u>297</u>	<u>14,447</u>

Notes to the accounts

for the year ended 31 July 2014

30 Analysis of changes in net debt	At 1 August 2013	Cash flows	Non-cash changes	At 31 July 2014
	£000	£000	£000	£000
Cash at bank and in hand	16,257	(1,794)	-	14,463
Endowment assets	174	(20)	-	154
	16,431	(1,814)	-	14,617
Short term deposits	15,017	2,110	-	17,127
Debt due within one year	(803)	803	(1,413)	(1,413)
Debt due after one year	(52,376)	(1,100)	1,413	(52,063)
Net debt	(21,731)	(1)	-	(21,732)

31 Pension schemes

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

	2014	2013
	£000	£000
ERPF charge to the Income and Expenditure account	3,852	2,523
TPS contributions payable	2,799	2,587
USS contributions payable	814	729
Total pension cost	7,465	5,839

ERPF

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

The total contribution made for the year ended 31 July 2014 was £5,420,000 of which employers' contribution totalled £4,233,000 and employees' contributions totalled £1,047,000. The employer's contribution rate was 26.3% until 31 March 2014 and 28.1% from 1 April 2014. The employees' contribution rate is based on earnings per annum and ranges from 5.5% to 12.5%.

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

Under the definitions set out in FRS17, the ERPF is a multi-employer defined benefit pension scheme. In the case of the ERPF, the actuary of the scheme has identified the Institution's share of its assets and liabilities as at 31 July 2014.

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

FRS17

The following information is based upon a full actuarial valuation of the fund at 31 March 2013, updated to 31 July 2014 on an FRS17 basis by a qualified independent actuary.

The material assumptions used by the actuary for FRS17 at 31 July 2014 were:

	2014	2013
	%	%
Pension Increase rate	2.7	2.8
Salary Increase Rate (see note below)	4.0	5.1
Expected return on assets	6.1	5.9
Discount rate for liabilities	4.0	4.6

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

Notes to the accounts

for the year ended 31 July 2014

31 Pension schemes (continued)

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

<i>Current pensioners</i>	2014	2013
Males	21.9	22.9
Females	24.1	25.7
<i>Future pensioners</i>		
Males	24.2	24.9
Females	26.7	27.7

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

	2014		2013		2012	
	Long term return	Fund Value	Long term return	Fund Value	Long term return	Fund Value
	%	£000	%	£000	%	£000
Equities	6.7	65,851	6.5	59,432	5.6	48,519
Bonds	3.5	8,443	3.7	7,718	3.1	7,763
Property	4.7	5,910	4.6	4,631	3.7	3,882
Cash	3.6	4,221	3.4	5,403	2.8	4,529
Total market value of assets		84,425		77,184		64,693

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS17.

Analysis of amount shown in balance sheet	2014	2013
	£000	£000
Fair value of employer assets	84,425	77,184
Present value of funded obligations	(119,912)	(109,211)
Present value of unfunded obligations	(2,249)	(2,343)
Deficit in the scheme – net pension liability	(37,736)	(34,370)

Analysis of the amount charged to staff costs within operating surplus

Current service charge	3,772	3,193
Past service cost	34	54
Losses/(gains) on curtailments and settlements	46	(724)
Total operating charge	3,852	2,523

Analysis of the amount charged to interest payable

Expected return on pension scheme net assets	(4,636)	(3,211)
Interest on pension scheme liabilities	5,183	4,250
Net charge	547	1,039

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

Actual return less expected return on pension scheme assets	(342)	8,558
Experience gains and losses	(2,998)	(2,606)
	(3,340)	5,952

Notes to the accounts

for the year ended 31 July 2014

31 Pension schemes (continued)

Movement in deficit during year	2014	2013
	£000	£000
At beginning of year	(34,370)	(40,404)
Movement in year:		
Current service charge	(3,772)	(3,193)
Employer contributions	4,233	3,504
Contribution in respect of unfunded benefits	140	140
Past service cost	(34)	(54)
(Loss)/gain on curtailments and settlements	(46)	724
Net return on assets	(547)	(1,039)
Actuarial (loss)/gain	(3,340)	5,952
At end of year	<u>(37,736)</u>	<u>(34,370)</u>

Analysis of the movement in the present value of scheme liabilities

At the beginning of the year	111,554	105,097
Current service cost	3,772	3,193
Interest cost	5,183	4,250
Contributions by members	1,047	938
Actuarial losses	2,998	2,606
Past service cost	34	54
Loss on curtailments	46	89
Liabilities extinguished on settlements	-	(2,452)
Estimated unfunded benefits paid	(140)	(140)
Estimated benefits paid	(2,333)	(2,081)
At the end of the year	<u>122,161</u>	<u>111,554</u>

Analysis of the movement in the fair value of scheme assets

At the beginning of the year	77,184	64,693
Expected return on assets	4,636	3,211
Contributions by members	1,047	938
Contributions by employer	4,233	3,503
Contributions in respect of unfunded benefits	140	140
Actuarial (losses)/gains	(342)	8,558
Assets distributed on settlements	-	(1,638)
Estimated unfunded benefits paid	(140)	(140)
Estimated benefits paid	(2,333)	(2,081)
At the end of the year	<u>84,425</u>	<u>77,184</u>

Notes to the accounts for the year ended 31 July 2014

31 Pension schemes (continued)

History of experience gains and losses Cumulative	31 July 2014	31 July 2013	31 July 2012	31 July 2011	31 July 2010
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(122,161)	(111,554)	(105,097)	(86,102)	(86,147)
Fair value of scheme assets	84,425	77,184	64,693	61,874	52,707
Deficit in the scheme	(37,736)	(34,370)	(40,404)	(24,228)	(33,440)
Difference between the expected and actual return on assets:					
% of scheme assets	0.4%	11.1%	4.8%	6.2%	8.1%
Experience (losses)/gains on scheme liabilities:					
Present value of liabilities	1,894	40	(1,449)	3,789	59
% of scheme liabilities	1.6%	0.0%	1.4%	4.4%	0.1%

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £20,114,000 (2013: loss £16,774,000).

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

The amount projected to be charged to operating profit for the year ending 31 July 2015 is £3,463,000. The estimated employer's contribution for the year ending 31 July 2015 is £4,519,000.

TPS

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

USS

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme. At 31 March 2014, USS had over 162,000 active members and the institution had 100 active members participating in the scheme.

The total pension cost for the University was £814,000 (2013: £729,000). This includes £70,000 (2013: £66,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Notes to the accounts

for the year ended 31 July 2014

31 Pension schemes (continued)

FRS17

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

32 Financial commitments

Group and University

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

	2014	2013
	£000	£000
Land and buildings		
Expiring within 1 year	-	189
Expiring between two and five years inclusive	146	93
Expiring in over five years	1,088	1,042
	1,234	1,324
Other		
Expiring within one year	43	7
Expiring between two and five years inclusive	108	145
	151	152

33 Capital commitments

Group and University

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

Commitments contracted for	5,678	3,876
Authorised but not contracted for	14,836	13,486
	20,514	17,362

34 Amounts disbursed as agent

Group and University

2014	2013
£000	£000

a) Access to Learning Fund

Balance at 1 August	8	27
Funding Council grant	267	255
	275	282
Disbursed to students	(274)	(266)
Fund running costs	(1)	(8)
Balance at 31 July	-	8

b) Skills Funding Agency / Young Persons Learning Agency

Balance at 1 August	-	46
Funding Council grants	-	(46)
Disbursed to students	-	-
Fund running costs	-	-
Balance at 31 July	-	-

Notes to the accounts

for the year ended 31 July 2014

34	Amounts disbursed as agent (continued)	2014	2013
		£000	£000
	c) Practice Learning Placements		
	Balance at 1 August	104	-
	Received from GSCC	320	865
		<hr/> 424	<hr/> 865
	Paid to placement providers	(405)	(761)
	Balance at 31 July	<hr/> 19	<hr/> 104
	d) Lincoln Growth Fund		
	Balance at 1 August	-	-
	Received from DCLG	272	-
		<hr/> 272	<hr/> -
	Paid to placement providers	(253)	-
	Balance at 31 July	<hr/> 19	<hr/> -

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

35 Related party transactions

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

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

Transactions totalling £329,068 relating to marina moorings took place with the Brayford Trust, where Mr K Darwin and Professor M Stuart are directors.

Transactions totalling £398,578 relating to the engineering contract took place with Siemens Industrial Turbo Machinery Ltd, where Mr N Corner is a director.

Transactions totalling £268,961 relating to teaching and medical support took place with United Lincolnshire Hospitals NHS Trust, where Mr K Darwin is a non-executive director.

Transactions totalling £167,017 relating to apprenticeship payments took place with the University Academy Holbeach, where Professor M Stuart is a director.

Transactions totalling £13,763 relating to research activity took place with the University of Nottingham, where Professor S Bailey is Head of the School of Law.

Transactions totalling £823,284 relating to block grant, rental charges and supported activities, took place with the University of Lincoln Students' Union.

At 31 July 2014, the following amounts were owed to the University: £1,915 from the Longhurst Group; £129,633 from Siemens Industrial Turbo Machinery Ltd; and £15,600 from University Academy Holbeach.

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

The governing body and officers 2013/14

The Governors who served in the period from 1 August 2013 were as follows;

Mr H Biddle (Chair)

Mr B Alcorn (Student Member) (from 1 July 2014)

Professor S Bailey

Mr N Corner

Mr K Darwin OBE

Sir Graeme Davies (from 19 September 2013)

Ms D Gilhespy

Ms M Jackson (Deputy Chair)

Dr M Kierstan

Ms C McEwen

Mr D Sam (Student Member) (until 30 June 2014)

Dr J Slack (Staff Member)

Professor M Stuart (Vice Chancellor)

Mr R Whetton

The officers who served in the period from 1 August 2013 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 Director of Human Resources

Ms D Harry Chief Finance Officer

Mrs C Low Director of Planning & Business Intelligence

Mr J Plumridge Director of Estates & Commercial Facilities

Professor A Hunter Pro Vice Chancellor

Professor S Owen Pro Vice Chancellor

Professor N Cherry Pro Vice Chancellor (until 31 January 2014)

Dr S Barrow Joint Acting Head of College (between 1 February and 31 July 2014)

Professor M O'Thomas Joint Acting Head of College (between 1 February and 31 July 2014)

Mr P Walsh Clerk to the Board of Governors

The University's principal advisers were;

Lloyds TSB plc Bankers

Deloitte LLP External Auditor

KPMG LLP Internal Auditor