



University of  
**Leicester**

# Financial Statements

2009 - 2010

Education that Inspires  
Research that Changes the World

2008/9  
**THE AWARDS**  
UNIVERSITY OF THE YEAR

2009/10  
**THE AWARDS**  
OUTSTANDING SUPPORT FOR STUDENTS

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## Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2010

### Format of the Financial Statements

The University was established by Royal Charter in 1957 and acts as an autonomous, self governing institution. The University has exempt charitable status, and is regulated by the Higher Education Funding Council for England (HEFCE).

The Financial Statements include the University, its trading subsidiary company, Leicester Academic Trading Services Limited, and the near-dormant subsidiary Leicester Academic Library Services Limited. The University's interests in spin-out companies are listed, but none are material for inclusion in the Financial Statements.

### The Mission and Strategy for the University

The University of Leicester is a leading UK university committed to international excellence through the creation of world changing research and high quality inspirational teaching. The vision for the University is:

- We will be an established top ten UK university and rank in the top 150 institutions in the world.
- Our growing research strength will underpin this change. We will be a top ten British research university in terms of research income per head and research impact.
- We will build on our position as the pre-eminent University in the Midlands for teaching quality, student satisfaction and research impact. We will become Britain's top university for student satisfaction and teaching quality.

More detail on the University's vision is set out in the Strategic Vision to 2015 document, available on the University website.

### Highlights of the Year

This has been a year of outstanding achievements for the University.

Following on from the award of Times Higher Education magazine's University of the Year award in 2008/9, the University won the Times Higher Education award for Outstanding Support for Students in 2009/10 and the award for Outstanding Departmental Administration Team in the Times Higher Leadership Awards. The University has maintained its ranking as a top university in the UK this year, ranking as top in the region, 15th in the UK in the Times Good University Guide 2011, and

12th in the Guardian University Guide. 2009/10 saw a further rise in the numbers of student applications and the University maintained its position as the most inclusive of the top 20 UK universities in terms of under-represented groups in higher education.

Student numbers grew to 22,803 in 2009/10 from 21,628 in 2008/9. The University has been delighted with the growth in student numbers, and admissions in the autumn of 2010 have also been very strong. The distribution of students in 2009/10 and 2008/9 was:

	2009/10	2008/9
Undergraduate	10,946	10,971
Postgraduate	11,857	10,657
	<u>22,803</u>	<u>21,628</u>
Full-time	12,230	11,009
Part-time / distance-learning	9,818	9,930
Other	755	689
	<u>22,803</u>	<u>21,628</u>

The University has an ambitious £1 billion investment plan for the University's estate. The programme is a long-term vision which would allow the capacity of the campus to increase by 100,000 square metres and provide increased capacity to allow student numbers to grow to 25,000.

2009/10 has seen the £16.5 million redevelopment of the Percy Gee Building, which houses the Students' Union. The transformed building reopened at the start of the 2010 academic year. Work is also progressing on a £15 million new Hall of Residence at the Nixon Court site.

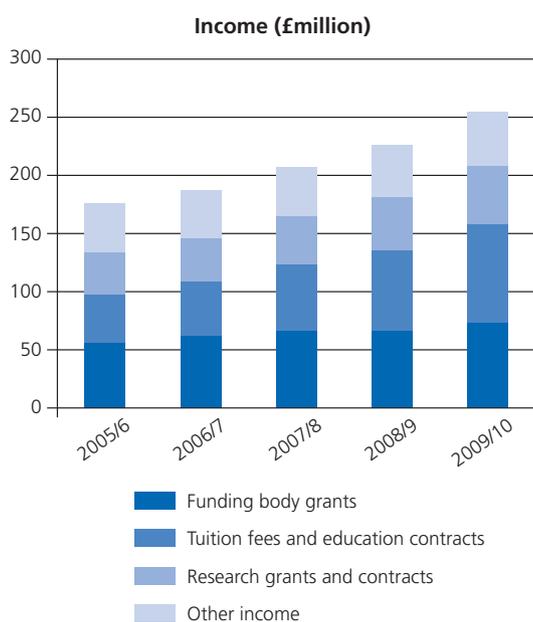
## Treasurer's Report

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### Income and Expenditure Account

Total income rose by 11.5% to £255.715 million, while total expenditure increased by 7.5% to £239.558 million.

The University's income comes from a number of sources, as shown in the chart below:



The operating surplus was £16.157 million, compared to £6.485 million in 2008/9. The total surplus including all other items for the year was £16.174 million (6.3% of income), after the transfer from endowed funds, which compares to £6.442 million in 2008/9 (2.8% of income).

The budget for the year was for a total surplus of £5.783 million.

It is very pleasing to report the increase in the surplus, which represents the results of a number of actions included in the University's financial strategy.

The 2009/10 year got off to a very strong start with student intakes above target in almost all areas. This generated additional fee income and also had a positive impact on the occupation levels in student residences. Grants from funding bodies also showed a modest increase, to reach £74.810 million, the highest ever recorded by the University.

It is very pleasing for the University to have achieved an increase of 10.8% in income from research grants and contracts, which rose to £49.968 million during the 2009/10 year. The level of new research awards has increased significantly in the previous

three years, and income from research grants and contracts is expected to increase further in future years.

The University also received a settlement of a retrospective claim for VAT with HMRC. The amount received was £1.3 million.

Expenditure remained within the budget for the year, and it was significant that the pay award for the year was agreed at 0.5%.

The surplus generated is an excellent result for the University. The cash generated will help in the future development of the University, especially by investing in the academic activities and the University estate to prepare for the challenges ahead.

### Balance Sheet as at 31 July 2010

The main feature of the Balance Sheet is the increase in net assets which have increased by £14.930 million to reach £122.657 million as at 31 July 2010.

Cash and short-term investments totalled £44.731 million as at 31 July 2010. This was an increase of £14.973 million compared with the previous year end. The level of cash and investments was higher than expected in the budget for the year, caused by the higher operating surplus and delays in some capital schemes.

The increase in cash and short-term investments is the key factor in the University moving from net debt of £7.541 million at 31 July 2009 to a position of net funds of £8.617 million as at 31 July 2010.

Fixed assets increased by £17.915 million in the year. This reflects total capital expenditure of £25.275 million and depreciation of £7.360 million. Capital grants of £12.812 million were received in the year. The main capital items in the year were in respect of ongoing work on the Percy Gee Students' Union building and the work underway in respect of the development of a new research facility for the College of Medicine, Biological Sciences and Psychology.

Net current assets increased from £5.343 million at 31 July 2009 to £9.742 million as at 31 July 2010.

### Cash Flow for the Year to 31 July 2010

There was a net cash inflow of £27.181 million from operating activities during the year, which was an excellent result. The other main feature of the cash flow was the capital expenditure described above.

## Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2010

### Pension Schemes

The University of Leicester Pension and Assurance Scheme is included in the accounts on the basis of its FRS 17 valuation undertaken at 31 July 2010. This shows that the Scheme had net assets of £94.721 million at 31 July 2010, liabilities of £129.077 million and a resultant deficit of £34.356 million. The value of the assets has increased from £79.884 million at 31 July 2009 reflecting better than expected investment returns, but the present value of the liabilities has increased in the year from last year's level of £104.473 million. The present value of the liabilities has increased reflecting lower expectations of discount rates and a change to the assumptions used in respect of mortality rates. The resultant deficit at 31 July 2010 is therefore higher than the level reported at 31 July 2009.

The latest triennial actuarial valuation of the University of Leicester Pension and Assurance Scheme was completed as at 1 August 2007. This was the first valuation on the new Scheme Funding Basis and the result showed that the Scheme's assets fell short of the value of its technical provisions, being a deficit of £10.166 million. This is equivalent to a 90% funding level, an improvement on the 2004 valuation which showed a 76% level of funding. The University has agreed that it will meet the shortfall by maintaining the current level of employer and employee contributions at 28.7% and 6.35% respectively and by also making an annual payment of £707,000 each year beginning in 2008/9 and ending in 2019/20.

The USS triennial actuarial valuation was undertaken as at 31 March 2008. At the valuation date the value of Scheme assets was £28,843 million, and the value of the technical provisions was £28,135 million, indicating a surplus in the Scheme. However, to maintain future service benefits an increase in the employer contribution rate from 14% to 16% has been implemented from 1 October 2009. This represents an annual increase in costs of around £1 million per annum for the University.

### Treasury Management

Through the Treasury Management Sub-Committee the University sets the policy for and manages its portfolio of investment assets and short-term investments.

For the portfolio of investments the Sub-Committee aims to balance the risk and potential returns. Investments in equities, fixed interest stocks and property are managed by external investment managers. In addition the University has an in-house Treasury team who manage the working capital of the University and make a number of bank and building society deposits in

accordance with the Treasury Management Policy. This policy determines the limits in terms of the credit ratings of institutions used for investments and on the sums placed with any one provider.

The level of endowment and interest income in the year was £657,000 compared to £1.040 million in 2008/9 reflecting the lower interest rates in place throughout the 2009/10 financial year.

At 31 July 2010 the University had £34.189 million of borrowing. The University has four loans repayable on different terms. The key features of the loans are:

- A loan from NatWest Bank with an outstanding balance of £3.791 million. This loan is repayable in instalments over periods to 2019, with interest payable at a fixed rate of 9.753%.
- There are two loans from Barclays Bank, one repayable in instalments over periods to 2018 with an outstanding balance of £8.389 million and one repayable in instalments over periods to 2031 with an outstanding balance of £21.220 million. The rates of interest on both loans are hedged, with half of the balance capped at 5.5% and the remainder covered by swap arrangements of approximately 4.8%. During the previous year the interest cap, fixed at 5.5%, became inoperative as interest rates fell below this level. A further short-term swap was put in place at 2.97%, fixing the average rate paid on each loan at approximately 4.1%.
- A new loan received during the year, with an outstanding balance of £789,000. This is an interest free loan provided through the HEFCE and Salix Revolving Green Fund Scheme. The loan is used to fund initiatives to reduce the University's carbon emissions, and only becomes repayable once there are no longer new schemes to reinvest the savings generated by previous schemes. At this point it is not known when this loan will be repaid.

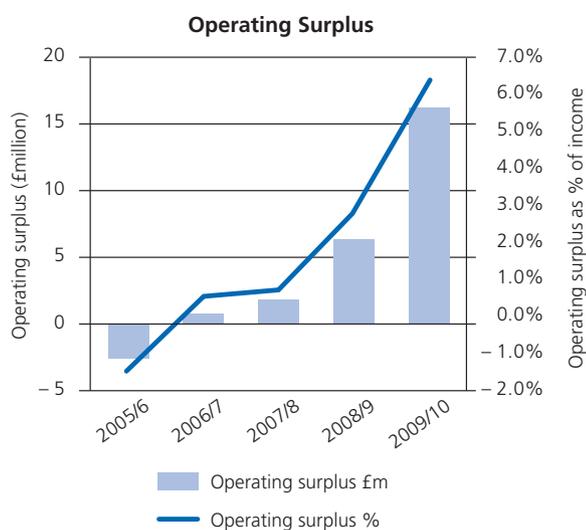
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FOR THE YEAR ENDED 31 JULY 2010

### Financial Strategy

Through the financial strategy the University aims to achieve sustainable overall finances, while providing continued funding for the ongoing capital programme.

Within the financial strategy there are two key performance indicators. The first is to achieve a minimum 2% operating surplus, measured as the surplus before tax as a percentage of total income, each year. The operating surplus results from recent years are shown in the chart below.

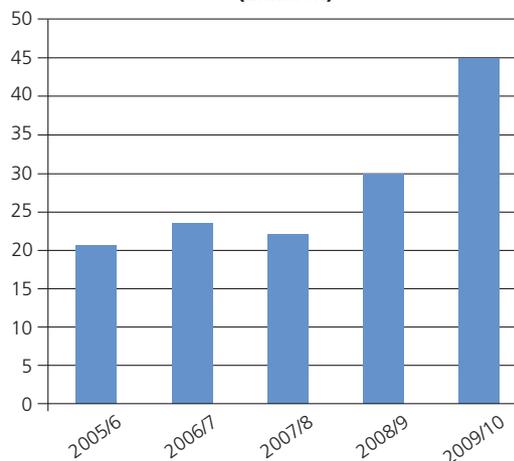


The years 2005/6, 2006/7 and 2007/8 were acknowledged as transitional years when the financial strategy was established. In these years not all home/EU undergraduates were paying variable fees and it was not expected that it would be possible to achieve the 2% target until the 2008/9 year. It is very pleasing that the University's results for 2008/9 and 2009/10 have exceeded the targets set.

The second key performance indicator is the level of short-term investments and cash. The aim within the financial strategy is to hold a prudent level of cash and short-term investments as measured at the year end. The minimum acceptable level is broadly measured as one-month's payroll costs as the target.

The level of short-term investments and cash is shown in the chart below.

### Short-term Investments and Cash Balances (£million)



In all years the target has been exceeded. The balance of £44.731 million as at 31 July 2010 is satisfactory and is required to fund working cash requirements and the planned investment in fixed assets over the University's forecast period to 2013/14.

### Future Financial Outlook

The Financial Forecasts to 2013/14 and budget for 2010/11 approved by Council in July 2010 included some challenging targets for the growth of both income and maintenance of a surplus for the University.

Over the past year the financial position of the University has been strengthened by:

- the strong student recruitment in 2009;
- healthy application rates for 2010 (now turned into robust recruitment for the year);
- continued high levels of research grant and contract awards.

However, there has been increased financial pressure from a number of factors:

- a recognised need within the University to increase the investment levels in IT and the estate, to support further growth in academic activities;

## Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2010

- reductions in HEFCE grant. A number of reductions have already been announced, but the future funding position is highly uncertain;
- concerns about further increases in pension costs, especially in respect of the University PAS scheme where the actuarial valuation will be considered in early 2011.

The 2010/11 financial year has a budget for income to grow to £264.897 million and for an operating surplus of £5.844 million, which meets the target of 2% within the University's financial strategy.

The achievement of this challenging budget is, as always, dependent on any number of uncertain factors, never more so than in the present difficult economic climate. However, the 2010/11 year has started well, and indications are that the University has more than achieved its targets for student recruitment.

### Key Risks and Opportunities

The most significant risks in respect of the University's financial position, and the measures in place to control them are:

- That there is a further reduction in HEFCE grant as a result of public expenditure reductions:

the University has started to consider how it would respond to a significant reduction in grant, and the budget process included consideration of a number of different possible scenarios and the implications.

- That campus-based overseas student fee income will not grow as planned:

the University was very successful in campus-based student recruitment in recent years, with excellent recruitment in many academic departments. The University has strong recruitment in 2010 and continues to show strong application rates for future intakes, but will need to diversify international recruitment across all departments.

- That the anticipated increase in income and contribution from research grants and contracts is not achieved:

the budget shows an increase in research income and contribution in 2010/11. The Senior Management Team and Research Committee will continue to monitor progress against the targets. The data on grant and contract applications and awards in the last three years is very encouraging.

- That the further Value for Money savings are not achieved:  
the University now has a record of delivering savings where required and the additional target will be pursued by the University in 2010/11.
- A rise in interest rates increasing the costs of borrowings now in place:  
an interest rate hedging strategy has been put in place by Finance Committee, which is proving very beneficial.
- That there may be further increases in pension costs in future years:  
the University continues to monitor the position in respect of the national USS scheme and the local schemes.

There are also some upside possibilities which could favourably affect the financial position of the University:

- The possible introduction of higher fees through the implementation of the Browne Review. This may mitigate some aspects of reductions in HEFCE grant.
- Better achievement than estimated on overseas student intake.
- Achievement of significant fundraising towards the capital building programme by the newly established development appeal.
- An agreement on pay awards at modest levels in future years.

### Conclusion

The University has had an excellent year in many ways, including the financial results. Despite the very uncertain funding climate now ahead, the University is determined to continue the progress made. The University will continue to invest heavily in its activities and facilities and aims to stay on course to meet the targets set within the financial strategy of budgeting for a surplus of at least 2% of income, which is designed to create cash for reinvestment in the University's development.

The year's strong financial performance is a reflection of the University's advancement. It is the result of the application and striving for excellence of many members of staff. These qualities are much required as the University addresses the present changing funding circumstances of higher education.

Dr B.E. Towle  
Treasurer  
26 November 2010

## Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2010

In setting the University's mission and strategy Council have due regard to the Charity Commission's public benefit guidance.

The two general principles of the guidance are:

1. There must be an identifiable benefit or benefits.
2. Benefit must be to the public, or a section of the public.

The University's public benefit is related to the core aims of the University, the values expressed by the University and through the presence and positive impact the University has on the local community, regionally, nationally and internationally.

The University's Charter sets the overall objectives of the University to provide "a University within Our City and County of Leicester for the Advancement of Knowledge, the Diffusion and Extension of Arts, Sciences and Learning, the Provision of Liberal, Professional and Technological Education". This objective is articulated through the University Mission and Strategy as outlined above, and is summarised by the University values approach of being "elite without being elitist".

The University is proud to be elite but is not elitist. It is equally as proud to be a university that is inclusive and accessible in its academic culture. The University has achieved success through its distinctive work which is characterised by the following approach:

- an inclusive and accessible culture;
- a personal, supportive experience for those who use our services;
- a commitment to high quality, innovation and rigorous academic standards;
- a belief that teaching and research are synergistic.

The University's public benefit is demonstrated through high quality research and teaching and by being inclusive and accessible.

### High quality research and teaching

The quality of the University's teaching is high and, amongst mainstream universities, the National Student Survey shows that our students are some of the most satisfied in England. In 2010 89% of full-time students were satisfied with their programme.

The research conducted by the University has the strongest impact of any Midlands university measured by citations per

academic. Citation levels place the University amongst the top 1% of universities in the world and the 6th highest in the UK.

The University's 2009/10 Quality Related research funding (QR) is the 19th highest of universities funded by HEFCE.

The University has one of the highest proportions of research active staff in the UK, with approximately 93% of staff submitted for the national 2008 Research Assessment Exercise. Of these, 87% of research activity was deemed by the RAE to be internationally significant research.

The University is also home to the department with the greatest concentration of world class research of any department or of any discipline in the UK – in the School of Museum Studies.

### Inclusive and accessible

The University is the most inclusive of Britain's top 20 leading universities with the greatest proportion of students from under-represented groups (as measured by the HEFCE Widening Participation Performance Indicators for young undergraduate entrants).

Outreach into schools and colleges includes substantial work targeted at the most disadvantaged students in the most disadvantaged schools, and includes university experience days, subject based master-classes and summer schools. Placements are offered for current students to work in these schools – supporting teaching and acting as role models for the students. The University works collaboratively on much of this provision with a variety of local and national agencies such as Aim Higher, the Lifelong Learning Network and the Teacher Development Agency.

This outreach work is complemented by a targeted bursary scheme for students from poorer backgrounds and a clear and transparent policy of fair admissions, set out in our Code of Practice for Admissions.

UK undergraduate students are eligible for bursaries of non-repayable cash awards, made by the University. The amount receivable in 2009/10 depended on the following criteria:

- residual household income;
- whether the student qualified for state support;
- whether the student paid the full tuition fee;
- whether the student was spending any time away from the University on placement or studying abroad.

## Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2010

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The value was between £100 and £1,319 depending on household income. The cost of these bursaries in 2009/10 was £2.947 million.

Bursaries and scholarships are available for other students for the study of postgraduate courses based on academic merit.

The University also engages with the local community in a wide variety of other ways including public lectures, the University's arts centre (Embrace Arts), the Literary Leicester Festival, the annual international sculpture exhibition and the University's Botanic Gardens. Many of these facilities include free access for the public and are promotions as part of the University's outreach programme.

## Corporate Governance

FOR THE YEAR ENDED 31 JULY 2010

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The following statement is given to assist readers of the Financial Statements to obtain an understanding of the governance procedures of the University. The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). The University has applied the principles set out in Section 1 of the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2003, incorporating internal control guidance as amended by the British Universities Finance Directors Group. The University is satisfied that it has complied with the provisions of the Code, in so far as it is applicable.

### Summary of the University's Structure of Corporate Governance

The University's Council, the governing body of the University, comprises a number of ex officio, appointed and elected lay and academic persons, the majority of whom are non-executive. The role of the Chair of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The powers of the Council are set out in the Statutes of the University, by its Statement of Primary Responsibilities and under the Financial Memorandum with the Higher Education Funding Council for England. The Council holds to itself, inter alia, responsibility for the ongoing strategic direction of the University, approval of major developments and the receipt of regular minutes from its Committees on the day to day operations of its business and of its subsidiary companies. Currently the Council meets four times a year and has several Committees, including the Strategy, Policy and Resources Committee, the Finance Committee, the Staffing Policy Committee, two Remuneration Committees and an Audit Committee. All of these Committees are formally constituted with terms of reference and include members drawn from the lay membership of Council.

The Strategy, Policy and Resources Committee inter alia recommends to Council the University's annual Financial Statements and annual budgets. The Budgets and Resources Committee is responsible to the Strategy, Policy and Resources Committee for managing the resources allocated to the academic and academic-services areas. The Finance Committee is responsible to Council for the overall monitoring of the University's financial health and advising on the overall University financial strategy. The Finance Committee monitors the financial resources that are allocated to the administrative and other support service areas.

The two Remuneration Committees determine the remuneration of professorial and senior administrative staff, including the Vice-Chancellor.

The Audit Committee is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's responses and implementation plans. The work of internal audit is guided by an assessment of the key areas of risk in the University's activities. In addition, as part of statutory audit, the external auditors review and test the system of internal control to the extent that they consider necessary to support their audit opinion. The Audit Committee also receives reports on value for money, considers items from the Higher Education Funding Council for England as they affect the University's business, and monitors adherence to the regulatory requirements. The Committee reviews the audit of the University's annual Financial Statements together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, which is made up of lay members of Council or other external members co-opted for their specific expertise. The Committee meets privately with the internal and external auditors for independent discussions as necessary.

During the 2009/10 financial year the University completed the academic restructuring of the organisation, from six faculties into four colleges, which formally took effect from 1 August 2009. Alongside this the University also introduced some changes to the remit and constitution of its senior committees, and its formal governance structure. Associated amendments to the University's Charter and Statutes were approved by the Privy Council in October 2009.

### Risk Management

The University's Governing Body, the Council, is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system 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 Council has approved a comprehensive risk management policy for the University, which is reviewed annually and updated as requested.

The senior management team receives termly 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. The senior management team and the Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. Council receives regular reports on

## Corporate Governance

FOR THE YEAR ENDED 31 JULY 2010

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Risk Management and Internal Control from the Vice-Chancellor and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. During the year Council approved regular amendments to the Corporate Strategic Risk Register to reflect changes in the level of exposure to recognised risks, and the emergence of new risks, as indicated by the Internal Control Reports submitted to Council.

At its meeting in July 2010 Council received a report from the Audit Committee, prepared by senior management, advising that Council would be able to issue a statement of full internal control. Audit Committee endorsed this conclusion on the basis of a governance and risk management report from the internal auditors and reports it had received from senior management throughout the year. Council therefore recognises that the University has effective systems of identifying, evaluating and managing the University's significant risks for the year ended 31 July 2010 and up to the date of approval of the annual report and Financial Statements.

During the last year there have been no major events necessitating the review of risk control and reporting procedures.

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## Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2010

In accordance with the University's Charter, the Council of the University of Leicester is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Council 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 University's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University of Leicester, the University Council, through its designated accountable officer (the Vice-Chancellor), is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the University of Leicester and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared the University Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council has reviewed the University's Financial Forecasts for the period to 31 July 2014, prepared under the direction of the Funding Council and on the basis of assumptions made as to the continuance of government grants to be given by the Funding Council. On that basis, Council has a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future. For this reason, the Financial Statements continue to be prepared on the going concern basis.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum of the Funding Council and any other

conditions which the Funding Council may from time to time prescribe;

- ensure that income for grants and specific purposes and from other restricted funds administered by the University have been expended on the purpose for which they have been provided;
- ensure that funds relating to the contracts with the National Health Service have been properly expended on the purposes for which they have been provided;
- ensure that the University has a sound system of internal financial management and control and takes into account any relevant guidance on accountability or propriety issued from time to time by the Funding Council, the National Audit Office or the Public Accounts Committee;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure, including value for money considerations; and
- plan and conduct its financial and academic affairs to ensure that the University remains solvent.

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

- definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approved levels set by the University Council;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee; and
- a professional internal audit team whose annual programme

## Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2010

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is approved by the Audit Committee and is endorsed by the University Council. The internal audit manager provides the University Council with an annual report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Signed on behalf of the Council  
R. H. Bettles, Chair of Council  
26 November 2010

### Members of Council

The Members of Council who served in the 2009/10 financial year were as follows:

Sir Peter Williams  
Professor J. Ainley (until 31 July 2010)  
Mr P. Ash  
Professor R. Baker  
Mr R. H. Bettles (Chair of Council)  
His Hon. Judge D. Brunning  
Professor Sir R. G. Burgess  
Mr G. Dixon  
Ms C. Fyfe  
Professor C. Haselgrove  
Ms F. Hussain  
Mr D. M. James  
Professor M. Lovell (until 31 July 2010)  
Mr A. M. Mamujee  
Mr P. Mulvihill (from 1 October 2009)  
Professor M. P. Thompson  
Dr B. E. Towle  
Professor E. Murphy  
Mr R. Kenyon  
Dr N. Reed  
Mr A. Smith (until 30 June 2010)  
Professor D. Wynford-Thomas  
Mr P. Bateman  
Dr D. Lockett  
Mr D. Moore  
Mr A. Nutt (from 1 July 2010)

### New appointments since 1 August 2010:

Ms J. Dunne (from 1 August 2010)  
Professor A. Abbott (from 1 August 2010)

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## Independent Auditors' Report to the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2010

We have audited the Financial Statements of the University of Leicester for the year ended 31 July 2010 which comprises the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated and Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt) and the related notes 1 to 32. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University, as a body, in accordance with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditors' 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Council and Auditors

The Council's responsibilities for preparing the Annual Report and the Financial Statements in accordance with the University's Statutes, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the Council of the University of Leicester.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the

Treasurer's report is not consistent with the Financial Statements, if the University has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Treasurer's report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any further information outside the Annual Report.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the University and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### Opinion

In our opinion:

- (a) the Financial Statements give a true and fair view of the state

## Independent Auditors' Report to the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2010

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of affairs of the University and the Group as at 31 July 2010 and of the surplus of the Group for the year then ended;

- (b) the Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education;
- (c) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and
- (d) in all material respects income during the year ended 31 July 2010 has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Nottingham, UK  
29 November 2010

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## Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2010

### 1. Accounting Convention

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable Accounting Standards.

Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council has reviewed the University's Financial Forecasts for the period to 31 July 2014, prepared under the direction of the Funding Council and on the basis of assumptions made as to the continuance of government grants to be given by the Funding Council. On that basis, Council has a reasonable expectation that the University has adequate resources to continue operations for its foreseeable future. For this reason, the Financial Statements continue to be prepared on the going concern basis.

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Group's Financial Statements.

### 2. Basis of Consolidation

The consolidated Financial Statements consolidate the Financial Statements of the University and all subsidiary and associated undertakings with material financial transactions for the financial year to 31 July 2010. The consolidated Financial Statements do not include those of the University of Leicester Students' Union as it is a separate organisation in which the University has no significant influence over policy decisions.

### 3. Recognition of Income

Funding Council recurrent grant income represents income in support of general or specific revenue activities of the University during the period and is credited direct to the Income and Expenditure Account.

Tuition fees represent student fees received and receivable, which are attributable to the current accounting period.

Income from research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date. All income from fixed, current and endowment asset investments 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.

Income from trading activities, including residences, catering and conference services is recognised when the goods or services are supplied to the customers or the terms of the contract have been satisfied.

### 4. Accounting for Charitable Donations

#### Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received, or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

#### Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these amounts are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments are where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University. Receipts where the capital amount cannot be spent are credited to unrestricted permanent endowments and only accumulated income is available to be transferred to general reserves as the related expenditure is incurred.
2. Restricted permanent endowments are where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. Receipts where the capital amount cannot be spent are credited to restricted permanent endowments and only accumulated income is available to be transferred to general reserves as the related expenditure is incurred.
3. Restricted expendable endowments are where the donor has specified a particular objective other than the purchase of intangible or fixed assets, and the institution can convert the donated sum into income. These receipts are credited to endowment reserves and transferred to general reserves as the related expenditure is incurred.

Endowment Asset Investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses.

#### Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and

## Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2010

Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

### Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'Other Income' or 'Deferred Capital Grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Donations received to be applied to the cost of land are recognised by inclusion as 'Other Income' in the Income and Expenditure Account.

### 5. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Leicester Pension and Assurance Scheme (PAS). The Schemes are defined benefit schemes which are externally invested and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued every three years by actuaries using the projected unit method for USS, and the defined accrued benefit method for PAS, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes. A small number of staff remain in other pension schemes.

The PAS is accounted for on the basis of FRS 17. The assets of the Scheme are included at market value and Scheme liabilities are measured on an actuarial basis using the defined accrued benefit method. The difference between the fair value of assets and liabilities measured on an actuarial basis, are recognised in the University's Balance Sheet as a pension scheme liability or asset as appropriate. A surplus is only included to the extent that the University is able to recover the surplus either through reduced contributions in the future or through refunds from the Scheme. The movement in the Scheme asset or liability is split between operating charges, finance items and in the Statement of Total Recognised Gains and Losses.

The USS is a defined benefit scheme which is contracted out of the State Second Pension. The assets of the Scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

### 6. Foreign Currencies

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 either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### 7. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

### 8. Land and Buildings

Land and Buildings are stated at cost. Land which is held freehold is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years. Refurbishment costs that meet the requirements of FRS 15 are being capitalised and depreciated over the period of 15 years on a straight line basis. Leasehold buildings are depreciated over 50 years, or if shorter, the period of the lease, on a straight line basis.

Where the University has earmarked assets for sale within one year of the balance sheet date, these are transferred to current assets as held for sale.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Assets in the course of construction are capitalised but not depreciated.

### 9. Equipment

Equipment costing less than £25,000 per individual item is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life on a straight line basis, as follows:

General equipment including vehicles and computer hardware - 3 years

Equipment acquired for specific research projects - 3 years or the normal project life if less than 3 years

## Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2010

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Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

All software costs, including licence fees, are written off to the Income and Expenditure Account as incurred.

### 10. Heritage Assets

The University holds a number of collections, exhibits and artefacts most of which have been donated or bequeathed to the University. These assets cannot be reliably valued and are therefore not included within the Financial Statements. New heritage assets acquired are included at valuation.

### 11. Investments

Endowment Asset Investments are included in the Balance Sheet at market value. All other Investments are included at the lower of cost and net realisable value.

### 12. Restructuring Costs

The University continues to operate a voluntary severance and early retirement scheme. Costs are provided for in full from the date applications to the scheme are agreed by the relevant committee.

### 13. Stocks

Stocks comprise Departmental Bulk Stores, Heating Oil, Sundry Stores and stocks held at Bookshops, Halls of Residence and Catering and are stated at the lower of cost or net realisable value.

### 14. Maintenance of Premises

The cost of routine corrective and planned maintenance is charged to the Income and Expenditure Account in the year it is incurred.

### 15. Provisions

Provisions are recognised when the University 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.

### 16. Taxation Status

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 Paragraph 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 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) 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. For this reason the University is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures. The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation (with the exception of Leicester Academic Trading Services Limited which is VAT grouped with the University).

### 17. Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No other investments are included in cash. Liquid resources comprise Current Asset Investments which are readily disposable. They include term deposits arising from the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

### 18. Agency Arrangements

Funds that the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. These have been disclosed in Note 30.

## Consolidated Income and Expenditure Account

FOR THE YEAR ENDED 31 JULY 2010

	Note	2009/10 £000	2008/09 £000
<b>Income</b>			
Funding Body Grants	1	74,810	67,746
Tuition Fees and Education Contracts	2	85,245	69,787
Research Grants and Contracts	3	49,968	45,007
Other Income	4	45,035	45,663
Endowment and Investment Income	5	657	1,040
Total Income		<u>255,715</u>	<u>229,243</u>
<b>Expenditure</b>			
Staff Costs	6	137,449	130,882
Other Operating Expenses		91,853	82,076
Depreciation	9	7,360	6,658
Interest and Other Finance Costs	7	2,896	3,142
Total Expenditure	8	<u>239,558</u>	<u>222,758</u>
Surplus Before Tax		16,157	6,485
Taxation		–	–
Surplus After Tax		16,157	6,485
Transfer from / (to) Accumulated Income in Endowment Funds	18	17	(43)
<b>Surplus for the Year Retained Within General Reserves</b>	19	<u>16,174</u>	<u>6,442</u>

- There is no difference between the retained surplus shown above and its historical cost equivalent.
- All items of income and expenditure arise from continuing operations.
- There are no exceptional items in the financial years reported.

## Statement of Consolidated Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 JULY 2010

	Note	2009/10 £000	2008/09 £000
Surplus on Continuing Operations After Tax		16,157	6,485
Appreciation / (Depreciation) of Endowment Asset Investments	11	589	(479)
New Endowments	18	465	14
Actuarial (Loss) / Gain in Respect of Pension Scheme	32	(10,208)	4,987
<b>Total Recognised Gains Relating to the Year</b>		<b>7,003</b>	<b>11,007</b>

### Reconciliation

	2009/10 £000	2008/09 £000
Opening Reserves and Endowments	23,168	12,161
Total Recognised Gains for the Year	7,003	11,007
Closing Reserves and Endowments	30,171	23,168

## Balance Sheets

FOR THE YEAR ENDED 31 JULY 2010

	Note	Consolidated		University	
		2010 £000	2009 £000	2010 £000	2009 £000
<b>Fixed Assets</b>					
Tangible Assets	9	<b>174,018</b>	156,103	<b>174,018</b>	156,103
Investments	10	<b>69</b>	49	<b>69</b>	49
		<u><b>174,087</b></u>	<u>156,152</u>	<u><b>174,087</b></u>	<u>156,152</u>
<b>Endowment Asset Investments</b>	11	<b>6,042</b>	5,005	<b>6,042</b>	5,005
<b>Current Assets</b>					
Stocks		<b>999</b>	1,025	<b>999</b>	1,025
Debtors	12	<b>24,623</b>	22,961	<b>25,176</b>	23,653
Investments	13	<b>31,782</b>	16,060	<b>31,782</b>	16,060
Cash at Bank and in Hand		<b>12,949</b>	13,698	<b>12,765</b>	13,511
		<u><b>70,353</b></u>	<u>53,744</u>	<u><b>70,722</b></u>	<u>54,249</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	14	<b>(60,611)</b>	(48,401)	<b>(61,161)</b>	(49,090)
<b>Net Current Assets</b>		<u><b>9,742</b></u>	<u>5,343</u>	<u><b>9,561</b></u>	<u>5,159</u>
<b>Total Assets Less Current Liabilities</b>		<b>189,871</b>	166,500	<b>189,690</b>	166,316
<b>Creditors: Amounts Falling Due After More Than One Year</b>	15	<b>(32,482)</b>	(33,645)	<b>(32,482)</b>	(33,645)
<b>Provisions for Liabilities and Charges</b>	16	<b>(376)</b>	(539)	<b>(376)</b>	(539)
<b>Net Assets Excluding Pension Liability</b>		<b>157,013</b>	132,316	<b>156,832</b>	132,132
<b>Pension Liability</b>	32	<b>(34,356)</b>	(24,589)	<b>(34,356)</b>	(24,589)
<b>Net Assets Including Pension Liability</b>		<u><b>122,657</b></u>	<u>107,727</u>	<u><b>122,476</b></u>	<u>107,543</u>
<b>Deferred Capital Grants</b>	17	<b>92,486</b>	84,559	<b>92,486</b>	84,559
<b>Endowments</b>					
Expendable	18	<b>2,441</b>	1,916	<b>2,441</b>	1,916
Permanent	18	<b>3,601</b>	3,089	<b>3,601</b>	3,089
		<u><b>6,042</b></u>	<u>5,005</u>	<u><b>6,042</b></u>	<u>5,005</u>
<b>Reserves</b>					
General Reserve Excluding Pension Liability		<b>58,485</b>	42,752	<b>58,304</b>	42,568
Pension Reserve	32	<b>(34,356)</b>	(24,589)	<b>(34,356)</b>	(24,589)
General Reserve Including Pension Liability	19	<b>24,129</b>	18,163	<b>23,948</b>	17,979
		<u><b>48,258</b></u>	<u>36,326</u>	<u><b>47,896</b></u>	<u>35,958</u>
<b>Total</b>		<u><u><b>122,657</b></u></u>	<u><u>107,727</u></u>	<u><u><b>122,476</b></u></u>	<u><u>107,543</u></u>

Professor Sir R.G. Burgess, Vice-Chancellor  
R.H. Bettles, Chair of Council  
Dr B.E. Towle, Treasurer  
26 November 2010

## Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 JULY 2010

	Note	2009/10 £000	2008/09 £000
Net Cash Inflow From Operating Activities	20	27,181	14,079
Returns on Investments and Servicing of Finance	21	(986)	(760)
Taxation		–	–
Capital Expenditure and Financial Investment	22	(10,037)	(4,073)
Management of Liquid Resources	23	(15,522)	(4,109)
Financing	24	(1,070)	(1,281)
(Decrease) / Increase in Cash in the Year	25	<u>(434)</u>	<u>3,856</u>

## Reconciliation of Net Cash Flow to Movement in Net Funds / (Debt)

FOR THE YEAR ENDED 31 JULY 2010

	Note	2009/10 £000	2008/09 £000
(Decrease) / Increase in Cash in the Year	25	(434)	3,856
Change in Short Term Deposits	25	15,522	4,109
Change in Debt	25	1,070	1,281
Change in Net Debt		<u>16,158</u>	<u>9,246</u>
Net Debt at 1 August	25	(7,541)	(16,787)
Net Funds / (Debt) at 31 July	25	<u>8,617</u>	<u>(7,541)</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

<b>1 Funding Body Grants</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
<b>Recurrent Grant</b>		
Higher Education Funding Council for England	<b>61,388</b>	57,130
Training and Development Agency for Schools	<b>2,172</b>	1,821
<b>Non Recurrent Grants</b>		
Centres for Excellence in Teaching and Learning	<b>1,210</b>	1,260
Higher Education Innovation Fund	<b>1,207</b>	598
Skills for Sustainable Communities: Lifelong Learning Network	<b>940</b>	1,251
Matched Funding Scheme	<b>889</b>	227
Employer Engagement	<b>687</b>	387
Training and Development Agency for Schools Specific Grants	<b>164</b>	224
Teaching Quality Enhancement Fund	<b>–</b>	792
Other Specific Grants	<b>2,613</b>	1,226
<b>Deferred Capital Grants Released In Year</b>		
Buildings	<b>2,227</b>	1,895
Equipment	<b>1,313</b>	935
	<b>74,810</b>	67,746
	<b>74,810</b>	67,746
<b>2 Tuition Fees and Education Contracts</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Full-time Home and EU Students	<b>29,082</b>	26,285
Full-time International Students	<b>32,169</b>	21,541
Part-time Students	<b>21,530</b>	19,706
Research Training Support Grants	<b>2,464</b>	2,255
	<b>85,245</b>	69,787
	<b>85,245</b>	69,787
<b>3 Research Grants and Contracts</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Research Councils	<b>19,761</b>	18,440
UK Based Charities	<b>11,589</b>	11,934
UK Government, Health and Hospital Authorities	<b>9,849</b>	6,332
UK Industry, Commerce and Public Corporations	<b>2,751</b>	3,136
EU Government Bodies	<b>3,828</b>	3,832
EU Other	<b>1,055</b>	471
Other Overseas	<b>852</b>	739
Other Sources	<b>283</b>	123
	<b>49,968</b>	45,007
	<b>49,968</b>	45,007

Research grants and contracts income includes £800,000 (2009: £654,000) in respect of the release of deferred capital grants on equipment.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

<b>4 Other Income</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Residences, Catering and Conferences	<b>20,352</b>	20,010
Health Authority Funded Posts	<b>12,159</b>	12,031
Other Services Rendered	<b>2,849</b>	3,298
Bookshops	<b>1,796</b>	1,831
Deferred Capital Grants Released in Year	<b>545</b>	516
Other Income	<b>7,334</b>	7,977
	<b>45,035</b>	45,663

<b>5 Endowment and Investment Income</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Income from Expendable Endowments	<b>72</b>	85
Income from Permanent Endowments	<b>86</b>	111
Income from Current Asset Investments and Cash at Bank	<b>499</b>	844
	<b>657</b>	1,040

<b>6 Staff Costs</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Salaries	<b>113,148</b>	108,341
Social Security Costs	<b>9,213</b>	8,859
Other Pension Costs	<b>16,792</b>	15,183
	<b>139,153</b>	132,383
FRS 17 Adjustment	<b>(1,704)</b>	(1,501)
	<b>137,449</b>	130,882

The pension contributions to the Universities Superannuation Scheme (USS) were at the standard rate of 14% of salary for August and September 2009, and increased to 16% of salary from October 2009.

The pension contributions to the Pension and Assurance Scheme (PAS) were at the standard rate of 28.7% of salary. The pension contributions to the Friends Provident Scheme (FPS) were at the standard rate of 6, 8, 10 or 12% of salary depending on the employee contribution rate chosen.

### Emoluments of the Vice-Chancellor:

Salary and Benefits	<b>264</b>	253
Employer's Pension Contributions	<b>38</b>	32
	<b>302</b>	285

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 6 Staff Costs (continued)

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

Remuneration of higher-paid staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment were within the following ranges:

	All Staff		Staff on Clinical Scales		Staff on Non-clinical Scales	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
£100,000 - £109,999	16	16	10	11	6	5
£110,000 - £119,999	12	11	6	8	6	3
£120,000 - £129,999	13	8	11	7	2	1
£130,000 - £139,999	–	4	–	4	–	–
£140,000 - £149,999	4	2	4	2	–	–
£150,000 - £159,999	10	10	10	10	–	–
£160,000 - £169,999	3	8	3	8	–	–
£170,000 - £179,999	8	4	8	4	–	–
£180,000 - £189,999	4	5	4	5	–	–
£190,000 - £199,999	3	1	3	1	–	–
£200,000 - £209,999	1	1	1	1	–	–
£210,000 - £219,999	1	2	1	2	–	–
£220,000 - £229,999	1	1	1	1	–	–

#### Compensation for loss of office paid to former higher-paid staff:

	2009/10	2008/09
	£000	£000
Compensation	–	–
Pension Benefits	–	76

#### Average staff numbers (full-time equivalent) by major category:

	2009/10	2008/09
Academic and Clinical	782	781
Research and Analogous	417	414
Administration, Library, Computer and Other Related	597	536
Technical	276	284
Clerical, Manual and Ancillary	1,039	1,007
	<b>3,111</b>	<b>3,022</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 7 Interest and Other Finance Costs

	2009/10 £000	2008/09 £000
Loans Wholly or Partly Repayable in More Than Five Years	1,633	1,735
Net Charge on Pension Scheme	1,263	1,407
	<u>2,896</u>	<u>3,142</u>

### 8 Analysis of Total Expenditure by Activity

	2009/10 £000	2008/09 £000
Academic Departments	102,783	98,808
Academic Services	21,344	14,511
Administration and Central Services	28,720	28,544
Premises	25,889	22,758
Residences, Catering and Conferences	17,520	18,466
Research Grants and Contracts	40,348	36,141
Other Expenses	2,954	3,530
	<u>239,558</u>	<u>222,758</u>

Total Expenditure Includes:

External Auditor's Remuneration in Respect of Audit Services:

KPMG LLP	–	7
Deloitte LLP	46	48

External Auditor's Remuneration in Respect of Non-audit Services:

KPMG LLP	–	35
Deloitte LLP	339	5

Operating Lease Rentals:

Land and Buildings	359	359
Other	155	92

Payments to Members of Council in Respect of Council Activities	1	–
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During the year the University received payment of a VAT reclaim. Deloitte LLP assisted the University in preparing the claim on a contingent fee basis. £295,152 of the remuneration in respect of external auditors non-audit services relates to this claim.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 9 Tangible Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Equipment £000	Assets in the Course of Construction £000	Total £000
<b>Consolidated and University</b>					
<b>Cost</b>					
At 1 August 2009	162,287	10,354	26,183	5,282	204,106
Additions	1,831	1,072	5,258	17,114	25,275
Disposals	–	–	(200)	–	(200)
Transfers at cost	1,613	–	–	(1,613)	–
<b>At 31 July 2010</b>	<b>165,731</b>	<b>11,426</b>	<b>31,241</b>	<b>20,783</b>	<b>229,181</b>
<b>Depreciation</b>					
At 1 August 2009	20,983	2,150	24,870	–	48,003
Charge for the year	4,172	306	2,882	–	7,360
Eliminated on disposals	–	–	(200)	–	(200)
<b>At 31 July 2010</b>	<b>25,155</b>	<b>2,456</b>	<b>27,552</b>	<b>–</b>	<b>55,163</b>
<b>Net Book Value</b>					
At 31 July 2009	141,304	8,204	1,313	5,282	156,103
<b>At 31 July 2010</b>	<b>140,576</b>	<b>8,970</b>	<b>3,689</b>	<b>20,783</b>	<b>174,018</b>

Land and buildings with a net book value of £70,960,816 and cost of £81,981,010 have been funded from Treasury sources: should these buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the HEFCE.

Leasehold land and buildings includes a 125 year lease commencing 1996 from Wyggeston & Queen Elizabeth I College with a net book value of £5,260,246 and cost of £6,471,154. The remaining leasehold land and buildings represents leases for various Leicester NHS sites.

Freehold land and buildings includes £4,821,543 in respect of land. In accordance with the University's accounting policies this is not depreciated.

The University occupies space in a number of NHS owned properties, for which it pays no rent due to the existence of long-standing reciprocal cost sharing agreements. It is not practicable to assign a value to these occupancies.

	<b>Consolidated and University</b>
The depreciation charge has been funded by:	£000
Deferred Capital Grants Released (note 17)	4,885
General Income	2,475
	<u>7,360</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 10 Investments

The University has interests in the following subsidiary and associated undertakings, all of which are registered in England and Wales, unless otherwise stated.

#### Subsidiary Undertakings

<i>Name</i>	<i>% Shareholding</i>	<i>Principal Activity</i>
Leicester Academic Library Services Limited (ceased trading on 28 February 2007)	100%	Not trading
Leicester Academic Trading Services Limited	100%	Provision of commercial services in association with the University

The consolidated Financial Statements incorporate the activities of Leicester Academic Library Services Limited and Leicester Academic Trading Services Limited.

#### Associated Undertakings

<i>Name</i>	<i>% Shareholding or Other Interest</i>	<i>Principal Activity</i>
Scionix Limited	50%	Development of solvents for industrial purposes
Gamma Technologies Limited	49%	Development of a portable scintography camera
OCB Media Limited	25%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
TTE Systems Limited	40%	Design and development of software modules for embedded systems
Perpetuity Research and Consultancy International Limited	15%	Provision of consultancy to the security sector
Bionutrix LLC. (registered in the USA)	10%	Development of the commercial potential of research in Microbiology
Haemostatix Limited	6%	Rational design and development of drugs
Pulsonix Limited	24%	Design and development of novel rapid battery chargers
Bioastral Limited	32%	To exploit the potential of adapting optical detection technology developed for space research to use in biological research

The University's share of the profit or loss for the year and the net assets of the associated undertakings are not material to the University's Financial Statements and have therefore been excluded from the consolidation.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 11 Endowment Asset Investments

<b>Consolidated and University</b>	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 August	<b>5,005</b>	5,427
Additions: Capital	<b>465</b>	14
Net (Expenditure) / Income	<b>(17)</b>	43
Appreciation / (Depreciation) on Revaluation	<b>589</b>	(479)
	<hr/>	<hr/>
Balance at 31 July	<b>6,042</b>	5,005
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Securities	<b>4,845</b>	4,123
Cash at Bank Held for Endowment Funds	<b>1,197</b>	882
	<hr/>	<hr/>
	<b>6,042</b>	5,005
	<hr/> <hr/>	<hr/> <hr/>

### 12 Debtors

	<b>Consolidated</b>		<b>University</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£000</b>	£000	<b>£000</b>	£000
Amounts Falling Due Within One Year:				
Research Grants and Contracts	<b>12,796</b>	12,820	<b>12,796</b>	12,820
Amount Owed by Subsidiary Undertaking	–	–	<b>553</b>	692
Other Debtors and Prepayments	<b>11,034</b>	9,940	<b>11,034</b>	9,940
Amounts Falling Due After More Than One Year:				
HEFCE Matched Funding	<b>793</b>	201	<b>793</b>	201
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>24,623</b>	22,961	<b>25,176</b>	23,653
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 13 Current Asset Investments

<b>Consolidated and University</b>	<b>2010</b>	2009
	<b>£000</b>	£000
Fixed Interest Stocks	<b>702</b>	652
Equities	<b>2,420</b>	2,270
Bank and Building Society Deposits	<b>28,660</b>	13,138
	<hr/>	<hr/>
	<b>31,782</b>	16,060
	<hr/> <hr/>	<hr/> <hr/>

The bank and building society deposits shown above are held on time deposits. The weighted average interest rate receivable was 0.88% and these are held for an average period of 44 days.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 14 Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Mortgages and Other Loans	1,707	1,614	1,707	1,614
Research Grants and Contracts	15,257	14,744	15,257	14,744
Payments Received in Advance	12,062	8,994	12,062	8,994
Other Creditors	19,865	13,639	19,858	13,672
Social Security and Other Tax Payable	3,364	3,364	3,364	3,364
Accruals and Deferred Income	8,356	6,046	8,356	6,044
Amount Owed to Subsidiary Undertaking	–	–	557	658
	<u>60,611</u>	<u>48,401</u>	<u>61,161</u>	<u>49,090</u>

### 15 Creditors: Amounts Falling Due After More Than One Year

	2010 £000	2009 £000
<b>Consolidated and University</b>		
Mortgages:		
Barclays Bank Plc repayable by 2018	7,520	8,389
NatWest Bank Plc repayable by 2019	3,522	3,791
Barclays Bank Plc repayable by 2031	20,651	21,220
Salix Revolving Green Fund	789	245
	<u>32,482</u>	<u>33,645</u>

The NatWest mortgage is secured on a portion of freehold land and buildings of the University. The NatWest mortgage is repayable in instalments over periods up to 2019, with interest payable at a fixed rate of 9.753%. The Barclays mortgages are repayable in instalments over the periods up to 2018 and 2031 respectively. The rates of interest on both loans are hedged, with half of the balance capped at 5.5% and the remainder covered by swap arrangements of approximately 4.8%. During the second half of the year the interest cap, fixed at 5.5%, became inoperative as interest rates fell below this level. A further short-term swap was put in place at 2.97%, fixing the average rate paid on each loan at approximately 4.1%. As at 31 July 2010 the cap and swap hedging arrangements had a negative fair value of £2,307,681.

Bank loans and mortgages are repayable as follows:

	2010 £000	2009 £000
<b>Consolidated and University</b>		
In one year or less ( <i>note 14</i> )	1,707	1,614
Between one and two years	1,806	1,707
Between two and five years	6,075	5,740
In five or more years	23,812	25,953
	<u>33,400</u>	<u>35,014</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 16 Provisions for Liabilities and Charges

<b>Consolidated and University</b>	<b>2010</b> <b>£000</b>	2009 £000
Balance at 1 August	<b>539</b>	639
Expenditure in the Year	<b>(163)</b>	(174)
Transferred from Income and Expenditure Account:		
In Respect of Pension Costs	<b>116</b>	74
In Respect of Decommissioning	<b>(116)</b>	–
Balance at 31 July	<b>376</b>	539

Included within provisions are amounts payable for enhanced pension costs and severance payments in respect of staff who have elected to take early retirement or voluntary severance. This provision is additional to that disclosed for pension costs under FRS 17 (Note 32). Provisions for enhanced pension costs and severance payments are calculated on the basis of estimated costs for members of staff that sign agreements before 31 July each year. All costs are expected to be incurred within one year.

Also included in provisions are the expected costs of decommissioning certain scientific facilities within the University. Based upon knowledge at the date of signing the Financial Statements it is expected that the decommissioning may take place in 2024.

### 17 Deferred Capital Grants

<b>Consolidated and University</b>	<b>Funding Council</b> <b>£000</b>	<b>Other Grants &amp; Benefactions</b> <b>£000</b>	<b>Total</b> <b>£000</b>
At 1 August 2009			
Buildings	64,962	18,941	83,903
Equipment	194	462	656
Total	65,156	19,403	84,559
Cash Received and Receivable			
Buildings	7,562	551	8,113
Equipment	3,490	1,209	4,699
Total	11,052	1,760	12,812
Released to Income and Expenditure			
Buildings	2,227	545	2,772
Equipment	1,313	800	2,113
Total	3,540	1,345	4,885
<b>At 31 July 2010</b>			
Buildings	<b>70,297</b>	<b>18,947</b>	<b>89,244</b>
Equipment	<b>2,371</b>	<b>871</b>	<b>3,242</b>
Total	<b>72,668</b>	<b>19,818</b>	<b>92,486</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 18 Endowments

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
<b>Consolidated and University</b>						
Balances at 1 August:						
Capital	796	1,812	2,608	1,515	<b>4,123</b>	4,588
Accumulated Income	–	481	481	401	<b>882</b>	839
	<u>796</u>	<u>2,293</u>	<u>3,089</u>	<u>1,916</u>	<u><b>5,005</b></u>	<u>5,427</u>
New Endowments	–	133	133	332	<b>465</b>	14
Investment Income	27	59	86	72	<b>158</b>	196
Expenditure	(27)	(56)	(83)	(92)	<b>(175)</b>	(153)
	<u>–</u>	<u>3</u>	<u>3</u>	<u>(20)</u>	<u><b>(17)</b></u>	<u>43</u>
Increase / (Decrease) in Market Value of Investments	112	264	376	213	<b>589</b>	(479)
	<u>908</u>	<u>2,693</u>	<u>3,601</u>	<u>2,441</u>	<u><b>6,042</b></u>	<u>5,005</u>
Balance at 31 July	<u>908</u>	<u>2,693</u>	<u>3,601</u>	<u>2,441</u>	<u><b>6,042</b></u>	<u>5,005</u>
Represented by:						
Capital	908	2,209	3,117	2,060	<b>5,177</b>	4,123
Accumulated Income	–	484	484	381	<b>865</b>	882
	<u>908</u>	<u>2,693</u>	<u>3,601</u>	<u>2,441</u>	<u><b>6,042</b></u>	<u>5,005</u>

#### Funds Exceeding £50,000 at 31 July

	2010 £000	2009 £000
<b>Restricted Permanent</b>		
Burton Holocaust Centre	<b>242</b>	236
Tyler Chair	<b>147</b>	137
Faire and Allaway Fund	<b>118</b>	109
Fraser Bursary Fund	<b>112</b>	–
Marc Fitch Fund	<b>104</b>	96
Frank May Funds	<b>90</b>	90
Law Development Fund	<b>80</b>	75
DF Bursary	<b>74</b>	44
Hoskins-Duffield Fund	<b>69</b>	67
Ellis Foundation	<b>65</b>	63
Babette Evans Bequest Fund	<b>60</b>	58
Hickman Bequest	<b>58</b>	53
Medical Service Award	<b>55</b>	53
McKay Memorial Fund	<b>55</b>	52
Street Travel	<b>52</b>	48

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

<b>18 Endowments</b> (continued)	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Funds Exceeding £50,000 at 31 July</b>		
<b>Restricted Expendable</b>		
Wathes Centenary Scholarship Fund	<b>585</b>	550
Ulverscroft Endowment	<b>464</b>	437
Frears Endowment	<b>368</b>	369
Transplant Research Programme Fund	<b>332</b>	–
Richard Attenborough Centre Fund	<b>288</b>	267
Spire Endowment	<b>152</b>	141
<b>Unrestricted Permanent</b>		
Lewis Lilley Fund	<b>258</b>	240
Church Langton Fund	<b>215</b>	205
Simpson Gee Fund	<b>155</b>	144
FW Bennett Lectureship	<b>73</b>	68
Norton Scholarship	<b>56</b>	52

<b>19 General Reserve Including Pension Liability</b>	<b>Consolidated</b>	<b>University</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 August 2009	18,163	17,979
Surplus Retained for the Year	16,174	16,177
Actuarial Loss in Respect of Pension Scheme	(10,208)	(10,208)
<b>Balance at 31 July 2010</b>	<b>24,129</b>	<b>23,948</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 20 Reconciliation of Surplus before Tax to Net Cash Inflow from Operating Activities

	2009/10 £000	2008/09 £000
Surplus before Tax	16,157	6,485
Depreciation ( <i>note 9</i> )	7,360	6,658
(Loss) on Disposal of Assets	–	(18)
Deferred Capital Grants Released to Income ( <i>note 17</i> )	(4,885)	(4,000)
Investment Income ( <i>note 5</i> )	(657)	(1,040)
Interest Payable Excluding FRS 17	1,633	1,735
Decrease / (Increase) in Stocks	26	(107)
(Increase) in Debtors	(1,659)	(1,418)
Increase in Creditors	9,810	5,978
(Decrease) in Provisions	(163)	(100)
Pension Costs less Contributions Payable	(441)	(94)
	<hr/>	<hr/>
Net Cash Inflow From Operating Activities	<b>27,181</b>	14,079
	<hr/> <hr/>	<hr/> <hr/>

### 21 Returns on Investments and Servicing of Finance

	2009/10 £000	2008/09 £000
Income from Endowments ( <i>note 18</i> )	158	196
Other Interest Received	496	912
Interest Paid	(1,640)	(1,868)
	<hr/>	<hr/>
	<b>(986)</b>	(760)
	<hr/> <hr/>	<hr/> <hr/>

### 22 Capital Expenditure and Financial Investment

	2009/10 £000	2008/09 £000
Proceeds from Sales of Fixed Assets	–	97
Fixed Asset Investments Acquired	(20)	–
Current Asset Investments (Acquired) / Sold	(200)	412
New Endowments Received ( <i>note 18</i> )	465	14
Endowment Funds Invested ( <i>note 18</i> )	(133)	(14)
Payments made to Acquire Fixed Assets	(22,961)	(6,850)
Deferred Capital Grants Received	12,812	2,268
	<hr/>	<hr/>
Net Cash Outflow for Capital Expenditure and Financial Investment	<b>(10,037)</b>	(4,073)
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 23 Management of Liquid Resources

	<b>2009/10</b> <b>£000</b>	2008/09 £000
(Addition to) Deposits	<b>(15,522)</b>	(4,109)

### 24 Financing

	<b>2009/10</b> <b>£000</b>	2008/09 £000
New Unsecured Loan	<b>544</b>	245
Repayments of Amounts Borrowed	<b>(1,614)</b>	(1,526)
	<b>(1,070)</b>	(1,281)

### 25 Analysis of Changes in Net Funds

	At 1 August 2009 £000	Cash Flows £000	Other Changes £000	At 31 July 2010 £000
Endowment Assets	882	315	–	<b>1,197</b>
Cash at Bank and in Hand	13,698	(749)	–	<b>12,949</b>
	14,580	(434)	–	<b>14,146</b>
Short Term Investments	13,138	15,522	–	<b>28,660</b>
Debt Due Within One Year	(1,614)	1,614	(1,707)	<b>(1,707)</b>
Debt Due After One Year	(33,645)	(544)	1,707	<b>(32,482)</b>
Net (Debt) / Funds	(7,541)	16,158	–	<b>8,617</b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 26 Capital Commitments

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
Commitments Contracted at 31 July	30,727	15,106	30,727	15,106
Authorised but Not Contracted at 31 July	17,612	28,725	17,612	28,725
	<u>48,339</u>	<u>43,831</u>	<u>48,339</u>	<u>43,831</u>

### 27 Contingent Liability

The University is not aware of any contingent liabilities.

### 28 Lease Obligations

At 31 July, the University had annual commitments under non-cancellable operating leases in respect of equipment and land and buildings as follows:

	Land and Buildings	Equipment	Land and Buildings	Equipment
	2010 £000	2010 £000	2009 £000	2009 £000
<b>Consolidated and University</b>				
Leases expiring:				
Within one year	100	–	–	–
Between two and five years	45	155	145	92
Over five years	213	–	213	–
	<u>358</u>	<u>155</u>	<u>358</u>	<u>92</u>

The University has no finance lease commitments.

### 29 Post Balance Sheet Events

There are no post balance sheet events.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 30 Amounts Disbursed as Agent

<b>Access to Learning Fund</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
<b>Consolidated and University</b>		
<b>Income</b>		
HEFCE Grants	<b>284</b>	305
Interest	<b>1</b>	2
	<u><b>285</b></u>	<u>307</u>
<b>Expenditure</b>		
Expenditure in Relation to Eligible Students	<b>285</b>	305
Audit Fees	<b>–</b>	2
	<u><b>285</b></u>	<u>307</u>
Balance at 31 July	<u><b>–</b></u>	<u>–</u>

HEFCE 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.

<b>Training and Development Agency for Schools: Training Bursaries</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Cash Received	<b>1,759</b>	1,739
Bursaries Paid	<b>1,806</b>	1,630
Administrative Costs and Training Grant	<b>34</b>	34
VAT on Administrative Costs	<b>6</b>	5
	<u><b>1,846</b></u>	<u>1,669</u>
Repayable (from) / to TDA	<u><b>(87)</b></u>	<u>70</u>

Cash received (other than income towards administrative costs and training grant) and bursaries paid are excluded from the Income and Expenditure Account.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 31 Related Party Transactions

Due to the nature of the University's operations and the members of Council being drawn from local, public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Council or a member of the senior management team may have an interest.

All such transactions, including those identified below, are conducted at arms' length and in accordance with the University's Financial Regulations and normal procurement procedures.

The University has taken advantage of the exemption within FRS 8 (Related Party Disclosures) and has not disclosed transactions with Leicester Academic Trading Services Ltd. and Leicester Academic Library Services Ltd. where it holds 100% of the voting rights.

Related parties were identified by examining returns submitted by members of Council and senior management team members for the financial year 2009/10.

These Financial Statements include the following transactions with related parties. No information has been listed for organisations where the income or expenditure is less than £25,000 in the financial year:

	Income Transactions £000	Expenditure Transactions £000	Balance due to / (from) the University £000
University Hospitals of Leicester NHS Trust	10,368	4,751	(330)
University of Leicester Students' Union	–	1,031	(1)
Higher Education Academy	91	18	–
University of Leicester Pension and Assurance Scheme	91	–	–
Universities and Colleges Admissions Service	–	65	–
Media Archive for Central England	–	64	(19)
British Library	–	43	(8)
Leicester College	–	31	–
	10,459	5,985	(358)
	10,459	5,985	(358)

#### University Hospitals of Leicester NHS Trust

The University's College of Medicine, Biological Sciences and Psychology has a close business relationship with the University Hospitals of Leicester NHS Trust. The University employs many staff which serve both organisations and the NHS Trust funds its share of these staff costs in the form of a recharge from the University. These recharges represent the majority of the income transactions disclosed above. One member of Council is a Non-Executive Director of the NHS Trust.

#### University of Leicester Students' Union

The University contributes towards the running costs of the Union in the form of a grant which represents the majority of the expenditure transactions shown above. The University Council includes the Academic Affairs Officer of the Students' Union.

#### Higher Education Academy

One member of Council is the Chair of the Higher Education Academy.

#### University of Leicester Pension and Assurance Scheme

One member of the senior management team is a Trustee of the University's Pension and Assurance Scheme.

#### Universities and Colleges Admissions Service (UCAS)

One member of Council is the Board Chair of UCAS.

#### Media Archive for Central England

One member of Council is a Director of the Media Archive for Central England.

#### British Library

One member of Council is a member of the British Library Board. A member of the senior management team is a member of the Capital Programme Committee.

#### Leicester College

One member of the senior management team and one member of Council are Governors of Leicester College.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 32 Pension Schemes

The University provides pension provision for its employees through the following four schemes:

- The Universities Superannuation Scheme (USS). This is a defined benefit scheme.
- The University of Leicester Pension and Assurance Scheme (PAS). This is a defined benefit scheme.
- The University of Leicester Stakeholder Scheme. This is a defined contribution scheme.
- The NHS Pension Scheme. This is a defined benefit scheme.

The University's contributions to the various schemes in respect of its own staff, in the years 2009/10 and 2008/09 were:

	2009/10 £000	2008/09 £000
Universities Superannuation Scheme (USS)	11,895	10,019
University of Leicester Pension and Assurance Scheme (PAS)	3,395	3,726
University of Leicester Stakeholder Scheme	439	399
NHS Pension Scheme	1,063	1,039
	<u>16,792</u>	<u>15,183</u>
FRS 17 adjustment re PAS charges to salaries and wages	<u>(1,704)</u>	<u>(1,501)</u>
	<u>15,088</u>	<u>13,682</u>

#### Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate fund administered by the Trustee, Universities Superannuation Scheme Limited. USS has over 135,000 active members and the University has 1,800 active members participating in the Scheme.

The appointment of directors to the board of the Trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Council; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the Scheme trust deed and rules, the employer contribution rate is determined by the Trustee, acting on actuarial advice.

Because of the mutual nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and a Scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The latest triennial actuarial valuation of the Scheme was at 31 March 2008. This was the first valuation for USS under the new 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 a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

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prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members mortality	PA92 MC YoB tables - rated down 1 year
Female members mortality	PA92 MC YoB tables - no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

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

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

The actuary also valued the Scheme on a number of other bases as at the valuation date. On the Scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all of the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the Scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

Since 31 March 2008, global investment markets have continued to fluctuate and at 31 March 2010, the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

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## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 32 Pension Schemes (continued)

On the FRS 17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the Scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below.

Assumption	Change in assumption	Impact on Scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (Move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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

The Trustee believes that over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The Trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the Trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the Trustee receives advice from its internal investment team, its investment consultant and the Scheme actuary, and considers the views of the employers.

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost for the institution was £11,895,000 (2009: £10,019,000). This includes £1,048,636 (2009: £954,130) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was increased from 14% to 16% of pensionable salaries with effect from 1 October 2009.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### Leicester Pension and Assurance Scheme (PAS)

The University of Leicester Pension and Assurance Scheme was established with effect from 23 July 1962 to provide retirement and death benefits for support staff (staff in levels 1 to 5) of the University of Leicester and for certain employees of the University of Leicester Students' Union. The Scheme is governed by its Fifth Definitive Trust Deed and Scheme Rules of 25 June 1999. Up to 5 April 2006, the Scheme was approved by HMRC as an exempt approved scheme under the provisions of Chapter I Part XIV of the Income and Corporation Taxes Act 1988. From 6 April 2006, the Fund became a "registered pension scheme" for tax purposes. It is registered under the Data Protection Act 1998 (Registration number Z8179467) and with the Pension Scheme Registry (Reference number 100222535). Members are currently contracted out of the State Second Pension Scheme.

The Trustees of the Scheme have the responsibility for its proper and correct management. The Scheme is administered by the Pensions Office, which forms part of the Finance Office, at the University of Leicester.

Subject to the provisions of the Trust Deed and Scheme Rules, the power of appointing and removing Trustees is exercised by deed and is invested in the principal employer, the University of Leicester. Member Nominated Trustees may only be removed if all other Trustees or the Pensions Act allows. Member Nominated Trustees are nominated by active and pensioner members of the Scheme and ballots are held if required.

The latest triennial valuation was undertaken on 1 August 2007. The outcome of the valuation was that:-

- the value of the Scheme liabilities was £97.867 million
- the Scheme's assets were valued at £87.701 million
- there was therefore a shortfall of £10.166 million
- which represents a funding level (assets divided by liabilities) of 90%

Overall, the Scheme's funding level of 90% represented a significant improvement over the 76% funding level achieved in the 2004 valuation.

The University had agreed to meet the past service shortfall of £10.166 million by continuing to pay a supplementary employer's contribution rate of 6.03% of each employee's pensionable salary for the period from 1 August 2007 up to 31 July 2020 and in addition, from 2008/09, making a direct cash payment of £707,000 into the PAS in each year until 2019/20. The arrangements are summarised below:-

Employer's contribution rate for future service	22.67%
Employer's supplementary contribution rate to meet past service shortfall	6.03%
Total Employer's contribution rate	28.70%
Employee's contribution rate for future service	6.35%
Total contribution rate	35.05%
Employer's annual lump sum payment to meet past service shortfall	£707,000

The assumptions used in the 1 August 2007 valuation are as follows:-

Date of latest actuarial valuation	1 August 2007
Actuarial method	Projected Unit
Mortality	Average of medium and long cohort projections
Investment returns per annum	5.4 - 7.4%
Pension increases per annum	3.3%
Salary scale increases per annum	4.3%

The employer contribution rate to finance future Scheme benefits is 22.67% of pensionable earnings. This rate includes an allowance of 2.3% for expenses but excludes the costs of the Pension Protection Fund Levy which the University has agreed to fund directly.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 32 Pension Schemes (continued)

In addition to the triennial actuarial valuation the Scheme Actuary undertakes an annual funding update, the latest of which was as at 1 August 2009. The outcome of this was that:-

- the value of the Scheme liabilities was £113.488 million
- the Scheme's assets were valued at £78.891 million
- there was therefore a shortfall of £33.597 million
- which represents a funding level (assets divided by liabilities) of 70%

Overall, the Scheme's funding level of 70% represents a significant deterioration compared to the funding level achieved in the 1 August 2007 valuation of 90%. The shortfall of £33.597 million reported compares to a shortfall of £10.166 million in August 2007.

Following receipt of the 1 August 2009 update the Trustees wrote to the University to ask if the University wanted to make any adjustments to funding prior to the outcome of the 1 August 2010 valuation. Following detailed consideration the University decided that it would wish to wait for the outcome of the valuation in the hope that the unusual economic circumstances impacting on the results may have changed by August 2010 and also that it wanted to base its decisions on the latest information available. The outcome of the 1 August 2010 actuarial valuation will be brought forward to the University in the early spring of 2011.

The actuarial valuation and annual funding update were calculated according to the assumptions agreed by the University and the Trustees in the PAS' Statement of Funding Principles which was confirmed before the actuarial valuation in August 2007. These assumptions are required to be prudent. An alternative view of the financial position of the fund can be found in the accounting FRS 17 assessment. This shows, using a different set of assumptions, that the deficit in the PAS at 31 July 2010 is £34.356 million.

The set of assumptions used by the University for the 31 July 2010 FRS 17 valuation are, as far as it is possible to do so, the same assumptions as being adopted by the Trustees in their 2010 Statement of Funding Principles for the formal actuarial valuation as at 1 August 2010. The PAS Actuary is currently working on this valuation.

Set out below is the FRS 17 disclosure as at 31 July 2010, prepared in accordance with the requirements of the Actuarial Guidance Note GN36 – Accounting for Retirement Benefits under Financial Reporting Standard 17 as adopted by the Board for Actuarial Standards.

The assumptions used by the actuary in the FRS 17 valuation are:

	<b>2010</b>	2009	2008
Rate of increase in salaries*	<b>3.90%</b>	4.25%	4.75%
Rate of increase in pensions in payment:			
Post 5.4.88 GMPs	<b>2.90%</b>	3.00%	3.00%
Non-GMPs	<b>2.90%</b>	3.25%	3.75%
Discount rate	<b>5.40%</b>	6.25%	6.50%
Inflation assumption	<b>2.90%</b>	3.25%	3.75%
Expected return on plan assets at 31 July	<b>6.00%</b>	6.50%	7.00%
Number of employees opting for early retirement	<b>3</b>	21	11

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

\*The 2010 FRS 17 assumption for salary increases is 3.9% from 2015 onwards. Up to that period the percentage increase is as follows:

Year 1	(01.08.2010)	1.00%
Year 2	(01.08.2011)	1.50%
Year 3	(01.08.2012)	2.00%
Year 4	(01.08.2013)	2.50%
Year 5	(01.08.2014)	3.00%

Mortality assumptions – years in retirement/longevity:

	2010 Males	2010 Females
Current Pensioners	23.3 years	24.6 years
Future Pensioners – retirals in 2010	23.3 years	24.6 years
– retirals in 2030	24.8 years	25.9 years

### Scheme Assets

The value of the assets in the Scheme were:	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Equities	55,371	46,491	50,533	56,876	53,569
Bonds	38,489	32,078	31,983	30,681	24,422
Cash	54	1,097	52	–	244
Insured Assets	183	85	110	–	–
Net Current Assets	624	133	65	32	4
	<b>94,721</b>	<b>79,884</b>	<b>82,743</b>	<b>87,589</b>	<b>78,239</b>

The expected long-term rates of return were:	2010	2009	2008	2007	2006
Equities	5.40%	6.80%	7.40%	7.50%	7.00%
Bonds	6.50%	6.25%	6.50%	5.70%	5.25%
Cash	4.00%	4.30%	4.90%	5.00%	4.75%
Insured Assets	–	–	–	–	–
Net Current Assets	–	–	–	–	–

	2010 £000	2009 £000
Opening Fair Value of Asset Plans	79,884	82,743
Expected Return on Assets	5,251	5,895
Contributions by Members	582	467
Contributions by Employer	3,742	3,726
Actuarial Gains/(Losses)	8,384	(9,957)
Estimated Benefits Paid	(3,122)	(2,990)
Total	<b>94,721</b>	<b>79,884</b>

The University expects to contribute £3,400,000 to its defined benefit pension plan from 1 August 2010 - 31 July 2011.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### 32 Pension Schemes (continued)

#### Net Pension Liability

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17:

	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
Fair value of employer assets	<b>94,721</b>	79,884	82,743
Present value of Scheme liabilities	<b>(129,077)</b>	(104,473)	(112,413)
Net pension liability	<b>(34,356)</b>	(24,589)	(29,670)

#### Present Value of the Defined Benefit Plan:

	<b>2010</b>	2009
	<b>£000</b>	£000
Opening Defined Benefit Obligation	<b>104,473</b>	112,413
Current Service Cost	<b>2,038</b>	2,225
Interest Cost	<b>6,514</b>	7,302
Contributions by Members	<b>582</b>	467
Actuarial Losses / (Gains)	<b>18,592</b>	(14,944)
Estimated Benefits Paid	<b>(3,122)</b>	(2,990)
Closing Defined Benefit Obligation	<b>129,077</b>	104,473

#### Analysis of amounts charged to Income and Expenditure Account:

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Current service cost	<b>(2,038)</b>	(2,225)
Financing:		
– expected return on Scheme assets	<b>5,251</b>	5,895
– interest on expected Scheme liabilities	<b>(6,514)</b>	(7,302)
– net charge	<b>(1,263)</b>	(1,407)
Net Income and Expenditure Account Cost	<b>(3,301)</b>	(3,632)

#### Actual return on plan assets

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Actual return on plan assets	<b>13,635</b>	(4,062)

#### Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Actual return less expected return on Scheme assets	<b>8,384</b>	(9,957)
Experience gains and losses arising on Scheme liabilities	<b>(234)</b>	12,999
Changes in assumptions underlying the present value of Scheme liabilities	<b>(18,358)</b>	1,945
Total actuarial (loss) / gain recognised	<b>(10,208)</b>	4,987

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

### The movement in the Scheme's deficit during the year is made up as follows:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Deficit on Scheme at 1 August	<b>(24,589)</b>	(29,670)	(28,434)	(30,820)	(27,406)
Movement in year:					
– current service cost	<b>(2,038)</b>	(2,225)	(2,494)	(2,259)	(2,393)
– contributions	<b>3,742</b>	3,726	3,150	3,526	3,648
– past service costs	–	–	–	–	–
– other finance loss	<b>(1,263)</b>	(1,407)	(567)	(663)	(539)
– actuarial (loss) / gain	<b>(10,208)</b>	4,987	(1,325)	1,782	(4,130)
Deficit on Scheme at 31 July	<b>(34,356)</b>	(24,589)	(29,670)	(28,434)	(30,820)

### The gains and losses for the year ended 31 July 2010 were as follows:

	2010	2009	2008	2007	2006
<b>Difference between the expected and actual return on Scheme assets:</b>					
Amount (£000)	<b>8,384</b>	(9,957)	(12,168)	2,382	3,182
Percentage of Scheme assets	<b>8.9%</b>	(12.5)%	(14.7)%	2.7%	4.1%
<b>Experience gains and (losses) on Scheme liabilities:</b>					
Amount (£000)	<b>(234)</b>	12,999	1,848	(388)	(4,439)
Percentage of the present value of Scheme liabilities	<b>(0.2)%</b>	12.4%	1.6%	(0.3)%	(4.1)%
<b>Total amount recognised in the Statement of Total Recognised Gains and Losses:</b>					
Amount (£000)	<b>(10,208)</b>	4,987	(1,325)	1,782	(4,130)
Percentage of the present value of Scheme liabilities	<b>(7.9)%</b>	4.8%	(1.2)%	1.5%	(3.8)%

## Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2010

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### 32 Pension Schemes (continued)

#### The University of Leicester Stakeholder Scheme

The University of Leicester Stakeholder Scheme is a defined contribution scheme offered through Friends Provident. It was established on 1 August 2003 following the closure to new members of the University of Leicester PAS. The Scheme is open to support staff in salary grades level 5 and below. The Scheme has 281 members.

The University contributes to the Scheme in proportion to that of member contributions. Members of the Scheme who contribute between 3% and 6% of their salary have added a contribution of double those amounts by the University, the first 3% of which provides the life assurance and health cover. The University's contribution is limited to 12% of salary.

The Scheme's advisers are Aon Consulting Limited. There is an annual management charge of 0.5% p.a. No commission is paid to Aon. The default investment strategy has been changed in the year and is now the Baillie Gifford Managed Fund. The Baillie Gifford Managed Fund carries an additional charge of 0.2% on top of the basic Scheme annual management charge. In the 7 years running up to retirement, the default investment strategy provides for members' existing funds and ongoing contributions to be phased into the Annuity Protector Fund (gilts) and a Cash Fund through a balanced lifestyle programme resulting in all funds being transferred to gilts and cash at the point of retirement (changed in the year from a 5 year life styling period).

The Scheme operates a salary sacrifice arrangement for pensions deductions. This is an opt-in scheme.

The University maintains an Advisory and Issues Group, which has trade union membership, to support the governance of the Scheme and to advise on the Scheme to the University's Finance Committee.

#### NHS Scheme

The University has 102 employees who are members of the NHS Pension Scheme. The University allows continued membership of the Scheme by its employees working in the Medical School who are already members of the Scheme, and contributes 14% of pensionable earnings to the Scheme. Employees contribute between 5% and 8.5% of pensionable earnings to the Scheme. The employees contribution rate is based on how much the members earn in a year.

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## Five Year Summary Accounts

### Income and Expenditure Account

	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000
<b>Income</b>					
Funding Body Grants	74,810	67,746	66,107	62,227	57,432
Tuition Fees and Education Contracts	85,245	69,787	57,580	45,938	40,451
Research Grants and Contracts	49,968	45,007	41,513	37,626	35,856
Other Income	45,035	45,663	38,180	38,019	38,809
Endowment Income and Interest	657	1,040	1,932	1,712	1,328
Profit on Disposal of Assets	–	–	–	6,307	779
<b>Total Income</b>	<b>255,715</b>	<b>229,243</b>	<b>205,312</b>	<b>191,829</b>	<b>174,655</b>
<b>Expenditure</b>					
Staff Costs	137,449	130,882	119,473	110,690	106,116
Other Operating Expenses	91,853	82,076	74,585	64,640	63,949
Depreciation	7,360	6,658	6,996	6,667	4,891
Interest and Other Finance Costs	2,896	3,142	2,761	2,660	1,631
<b>Total Expenditure</b>	<b>239,558</b>	<b>222,758</b>	<b>203,815</b>	<b>184,657</b>	<b>176,587</b>
Transfer to Endowment Funds	(17)	43	147	78	48
<b>Surplus / (Deficit) for the Year</b>	<b>16,174</b>	<b>6,442</b>	<b>1,350</b>	<b>7,094</b>	<b>(1,980)</b>

### Balance Sheet

Fixed Assets	174,087	156,152	154,973	145,336	126,734
Endowment Asset Investments	6,042	5,005	5,427	5,842	5,716
Net Current Assets / (Liabilities)	9,742	5,343	1,182	4,457	(23,697)
Creditors: Amounts Due After One Year	(32,482)	(33,645)	(35,014)	(36,323)	(4,474)
Provisions for Liabilities and Charges	(376)	(539)	(639)	(479)	(375)
Pension Liability	(34,356)	(24,589)	(29,670)	(28,434)	(30,820)
<b>Total Net Assets</b>	<b>122,657</b>	<b>107,727</b>	<b>96,259</b>	<b>90,399</b>	<b>73,084</b>
Represented By:					
Deferred Capital Grants	92,486	84,559	84,098	77,848	70,628
Endowments	6,042	5,005	5,427	5,842	5,716
General Reserve	58,485	42,752	36,404	35,143	27,560
Pension Reserve	(34,356)	(24,589)	(29,670)	(28,434)	(30,820)
<b>Total Funds</b>	<b>122,657</b>	<b>107,727</b>	<b>96,259</b>	<b>90,399</b>	<b>73,084</b>

## Financial Statistics

### Sources of Income

% of Total Income	2009/10	2008/09	2007/08	2006/07	2005/06
Grants from Funding Bodies (HEFCE and TDA)	<b>29.3%</b>	29.5%	32.2%	32.4%	32.9%
Tuition Fees and Education Contracts	<b>33.3%</b>	30.5%	28.0%	23.9%	23.2%
Research Grants and Contracts	<b>19.5%</b>	19.6%	20.2%	19.6%	20.5%
Residences, Catering and Conferences	<b>8.0%</b>	8.7%	8.3%	7.9%	8.3%
Other Income	<b>9.9%</b>	11.7%	11.3%	16.2%	15.1%
Total Income	<b>100.0%</b>	100.0%	100.0%	100.0%	100.0%

### Analysis of Expenditure

% of Total Expenditure					
Staff Costs	<b>57.4%</b>	58.8%	58.6%	60.0%	60.1%
Other Operating Expenses	<b>38.3%</b>	36.8%	36.6%	35.0%	36.2%
Depreciation	<b>3.1%</b>	3.0%	3.4%	3.6%	2.8%
Interest Payable	<b>1.2%</b>	1.4%	1.4%	1.4%	0.9%
Total Expenditure	<b>100.0%</b>	100.0%	100.0%	100.0%	100.0%
Surplus / (Deficit) for the Year as a % of Total Income	<b>6.3%</b>	2.8%	0.7%	3.7%	(1.1)%

### Indicators of Financial Strength

Days Ratio of Total General Funds to Total Expenditure <i>To indicate the number of days total expenditure which could be met from general funds</i>	<b>89</b>	70	65	69	57
Days Ratio of Net Current Assets / (Liabilities) to Total Expenditure <i>Number of days an institution could meet expenditure from net assets</i>	<b>15</b>	8	2	9	(49)
% Ratio of Long-Term Liabilities to Total General Funds <i>Measures the extent to which an institution is funded by long-term debt</i>	<b>56</b>	78	96	103	16

### Indicators of Liquidity and Solvency

% Ratio of Liquid Assets to Current Liabilities <i>Extent to which current liabilities could be met from cash and liquid investments</i>	<b>74</b>	64	52	58	32
Ratio of Current Assets to Current Liabilities <i>Extent to which current liabilities could be met from current assets</i>	<b>1.2</b>	1.1	1.0	1.1	0.6
Debtor Days <i>Days of total income (excluding Funding Council income) represented by debtors</i>	<b>50</b>	47	56	58	63





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