



University of
Leicester

Financial Statements

2013 – 2014

Elite without being elitist

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Treasurer's Report

FOR THE YEAR ENDED 31 JULY 2014

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 and its subsidiary companies College Court Conference Centre Limited, and the near-dormant 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 within an inclusive academic culture. The vision for the University is:

- We will consolidate our position as the most inclusive of Britain's top 20 leading universities.
- We will become 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 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.

Over the coming year the University will develop a new strategic vision which will consider how to respond to the challenges and opportunities of the changing market for Higher Education in the UK and internationally.

Highlights of the Year

This has been another very successful year for the University.

The University has maintained its ranking as a top university in the UK this year, ranking 19th in the Complete University Guide, 21st in the Guardian University Guide and 20th in the Times and Sunday Times league table. The University has also been placed at 199th place in the Times Higher Education University World Rankings and is now firmly established in the world's top 2% of universities. The University is consistently one of the most socially inclusive of the UK's top 20 universities with

a long-standing commitment to providing fairer and equal access to higher education.

The University is ranked in the top 20 in the UK for the impact of research conducted by the University, measured by citations per academic. In the National Student Survey, the University of Leicester has never been outside the top 20 for overall satisfaction since it began in 2005. In 2013/14 a record level of 22.8% of students graduated with a first class degree.

Student recruitment remains satisfactory in a challenging market. Student numbers have reduced overall, principally in the part-time and postgraduate distance learning market. However it is pleasing to note a 1% increase in full-time overseas students and an overall stable undergraduate population. The recruitment of overseas students has again been supported by significant increases in activity by the University's English Language Teaching Unit and the International Study Centre, who provide a foundation year. Overseas recruitment has remained strong this year with the overseas student population increasing from 18% of fulltime undergraduates to 19%. Overall, overseas students represent 36% of the student headcount, with the largest cohort coming from China. The numbers of postgraduate taught students has continued to decline in a challenging market, with full-time student numbers reducing by 11%. However it is pleasing to note that research student numbers continue to grow.

The distribution of students in 2013/14 and 2012/13 was:

	2013/14	2012/13
Undergraduate	11,255	11,263
Postgraduate	9,389	10,169
Occasional/Exchange	332	343
	<hr/>	<hr/>
	20,976	21,775
	<hr/>	<hr/>
Full-time	13,904	14,027
Part-time/distance learning	7,072	7,748
	<hr/>	<hr/>
	20,976	21,775
	<hr/>	<hr/>

The University has an ambitious £155 million investment plan for the University's estate during the next five years. The programme includes a new Centre for Medicine due to open in 2015 and refurbishment of existing teaching facilities.

In 2013 Digby Hall was re-opened to provide refurbished self-catered accommodation for students. Further work has also been completed to the Brookfield site, purchased in 2013, which has allowed for the relocation of central administrative staff and additional post-graduate teaching facilities which opened in October 2014.

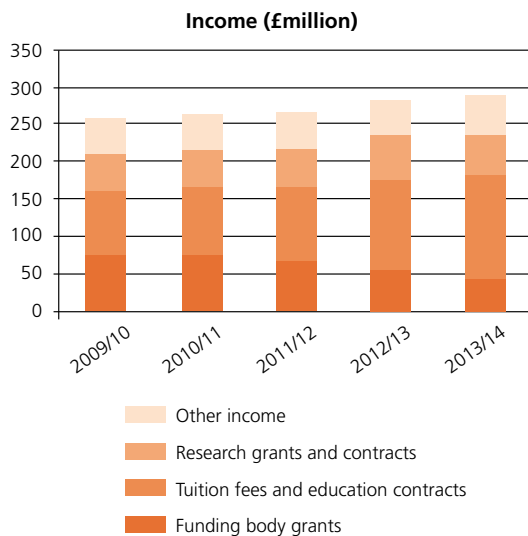
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College Court Conference Centre opened in October 2013; a project which transformed the Grade II listed College Hall building into a leading residential conference venue. This project has won five prestigious East Midlands region awards, including three from the Royal Institute of British Architects and the Best Building Conservation Project Award from the Royal Institute of Chartered Surveyors.

Income and Expenditure Account

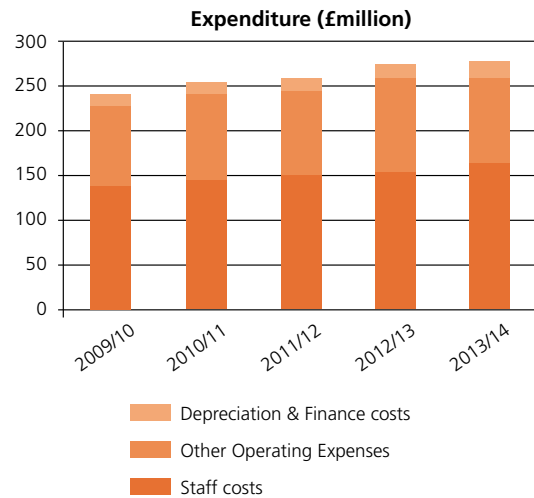
Total income rose by 1.9% to £286.665 million, while total expenditure increased by 1.7% to £279.156 million. The University's income comes from a number of sources, as shown in the chart below:



Tuition fee income again reached the highest ever level for the University at £137.063 million, this represented 47.8% of the University's total income and was 13.4% higher than in 2012/13. The majority of the increase arose from full-time campus-based UK and EU students who accounted for 41.9% of tuition fee income. Income from part-time and distance learning students increased by 7.6% and remains a significant proportion of total fees at 16.9%, despite a reduction in overall student numbers. Grants from funding bodies reduced by 15.2% to £46.674 million; reflecting the continuing shift in government funding from block grant to tuition fees.

Income from research grants and contracts reduced by 6.5% to £51.619 million in 2013/14. Despite the difficult funding climate, EU funded awards and income continues to grow, with EU awards reaching their highest level yet at 15% of the year's new awards portfolio.

Expenditure of £279.156 million was incurred, of which 58.2% relates to staff costs.



The total surplus for the year was £7.556 million (2.6% of income), after the transfer from endowed funds, which compares to £7.197 million in 2012/13 (2.6% of income).

Balance Sheet as at 31 July 2014

Net assets have increased by £3.897 million to £172.647 million as at 31 July 2014.

Cash and short-term investments totalled £31.312 million as at 31 July 2014; although £11.377 million lower than the previous year, this is satisfactory to cover working capital commitments and planned investment.

Tangible fixed assets have increased by £4.664 million in the year to reach £259.338 million. This increase reflects total capital expenditure of £19.972 million and depreciation of £15.283 million. Capital grants of £6.292 million were recognised in the year. The main capital expenditure items were in respect of the new Centre for Medicine, completion of the College Court Conference Centre, the renovation of the Brookfield site and investment in IT infrastructure and equipment for research.

Endowed assets have increased by 3.6% to £12.197 million in the year.

Long term creditors of £57.586 million include long term loans to NatWest, Barclays and the European Investment Bank. No new loans have been drawn during the year. Short term creditors reduced by £11.929 million to £75.964 million at 31 July 2014. This includes £5 million drawn down from the £15 million revolving credit facility, £7.5 million lower drawn balance than at 31 July 2013. Net current liabilities consequently reduced from £16.003 million at 31 July 2013 to £14.186 million as at 31 July 2014.

The FRS 17 pension liability for the Pension and Assurance Scheme increased by £3.939 million to £25.922 million.

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Cash Flow for the Year to 31 July 2014

There was a net cash inflow of £11.488 million from operating activities during the year, compared to £19.660 million in the previous year, a decrease of £8.172 million principally arising from creditor movements.

Pension Schemes

The University provides pension provision for its employees through three defined benefit schemes; the University of Leicester Pension and Assurance Scheme (PAS), the Universities Superannuation Scheme (USS), the NHS Pension Scheme, and one defined contribution scheme; the University of Leicester Stakeholder Scheme.

The PAS and the USS have the most direct impact on the University's expenditure and pose the greatest risk to the University's financial position.

The PAS is included in the financial statements on the basis of its FRS 17 valuation undertaken at 31 July 2014. The valuation shows that the Scheme had assets of £131.739 million at 31 July 2014, liabilities of £157.661 million and a resultant deficit of £25.922 million, some £3.939 million higher than in 2013. The value of the assets has increased during the year by £7.366 million reflecting better than expected investment returns. The present value of the liabilities also increased from that reported in 2013 by £11.305 million, mainly as a result of the use of a lower discount rate in the assumptions to reflect economic conditions.

Whilst the FRS17 valuation is required to be incorporated into the University's financial statements, the funding of the Scheme is assessed at each triennial actuarial valuation which is undertaken by the Scheme actuary.

The last full actuarial valuation of the Scheme was completed as at 1 August 2013. The results of this showed that at that time the Scheme's assets fell short of the value of its liabilities by some £29.6 million. This is equivalent to a 81% funding level, representing an improvement from the 2010 actuarial valuation which showed a 77% funding level.

Following the 2013 actuarial valuation a recovery plan was put in place whereby the University agreed to remove the shortfall by 2026/27. This includes lump sum payments of £1.8 million pa plus employers contribution of 19% of pensionable salary, in addition to an index-linked contribution of £321,000 pa to administration costs and full reimbursement of the Pension Protection Fund levy. The results and the recovery plan have received approval of The Pensions Regulator.

Unlike the PAS, the current accounting rules do not require an annual FRS17 valuation to be included in the University's financial statements for the USS, which is a multi-employer scheme.

The most recent triennial actuarial valuation of the USS was undertaken as at 31st March 2011, and showed a shortfall of £2.910 billion, equivalent to a funding level of 92%. In response to this, and after consultation with employers, the USS Trustees put in place a recovery plan aimed at eliminating the deficit by 31st March 2021. This is based on maintaining the employer contribution rate at 16.0% until March 2017, and then for the four years from March 2017 to March 2021, agreeing that the employer's contribution rate would be the future service rate required at that time plus an excess of 2.0% towards the deficit reduction plan.

Since March 2011 the deficit has increased significantly and has also been volatile. Work on the 2014 valuation is not yet complete, but is expected to show a very substantial deficit when it is reported towards the end of 2014. USS have recently reported that if the same assumptions used in the 2011 valuation were used, the funding ratio of assets to liabilities would be approximately 85% with a scheme deficit in the region of £7 billion.

During 2014, the University and Colleges Employers Association began consultations with institutions on the funding and benefit structures of USS and during the summer a proposal to reform the structure of the benefits was brought forward. This involved the ending of the final salary section of the scheme and the service link to final salary, the introduction of a career average scheme for all active members but with a salary cap and furthermore, the introduction of a significant defined contribution element into the benefit. The proposed implementation date is April 2016. The aim of the proposal was to maintain the employers' contribution in the range 16% to 18% of pensionable pay. The proposal remains subject to discussion and will require a formal consultation exercise.

Further information on the scheme and the sensitivities of principal assumptions used to measure the scheme liabilities are included in the notes to the financial statements.

Treasury Management

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 before pension scheme gains in the year was £712,000 compared to £830,000 in 2012/13.

At 31 July 2014 the University had £64.368 million of borrowing. The University has six loans repayable on different terms. The key features of the loans are:

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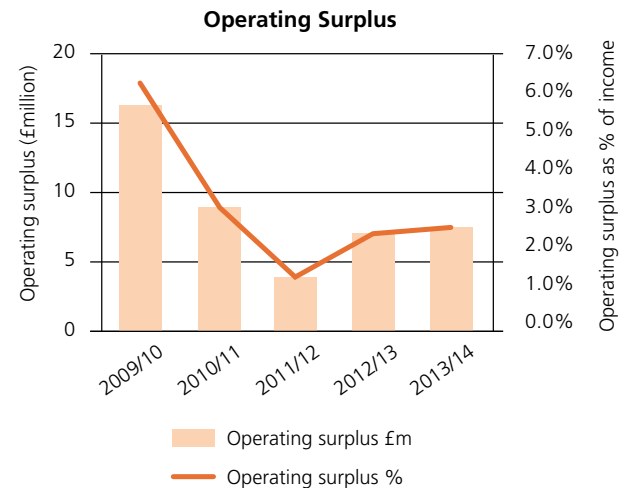
- A loan from NatWest Bank with an outstanding balance of £2.558 million. This loan is repayable in instalments over periods to 2019, with interest payable at a fixed rate of 9.8%.
- Two on-going loans from Barclays Bank, one repayable in instalments over periods to 2018 with an outstanding balance of £2.312 million and one repayable in instalments over periods to 2031 with an outstanding balance of £9.385 million. Swap arrangements are in place fixing the interest payable at 6.0%.
- A further loan from Barclays with an outstanding balance of £13.982 million. This loan facility is to fund capital schemes and is repayable in instalments over periods to 2037. A swap arrangement is in place for the loan, fixing the interest rate at approximately 5.4%.
- A £55 million loan facility from the European Investment Bank with the first tranche of £30.0 million drawn down. This tranche will be repayable by 2038, with interest payable fixed at 3.5%. The remainder of the loan is available for drawdown until May 2016.
- A revolving credit facility of £15.0 million, which is a short term facility made available to the University until 2018. At 31 July 2014 £5 million was outstanding. Quarterly interest is payable on the drawn down balance at a rate of 1.8% and a non-utilisation fee will be payable on the remainder of the facility.
- An interest free loan provided through the HEFCE and Salix Revolving Green Fund Scheme with a balance of £800,000. 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. A further HEFCE loan through the Revolving Green Fund 2 of £307,000 is repayable in biannual equal instalments up until November 2016.

Financial Strategy

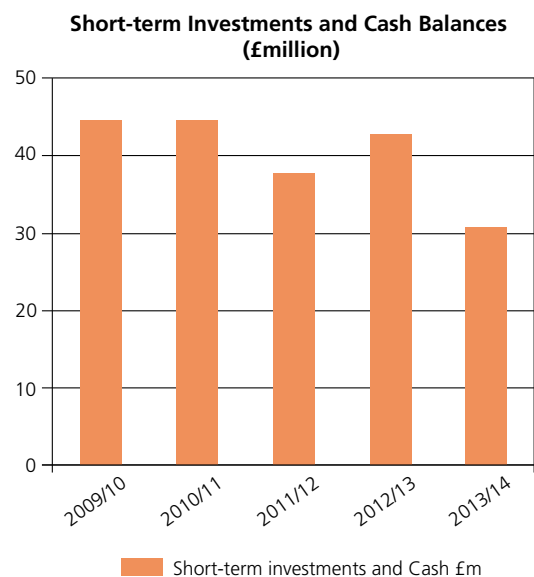
Through its financial strategy the University aims to continue to be financially sustainable while providing continued funding for the on-going capital programme.

Within the financial strategy there are two key performance indicators. The first is to achieve a minimum operating surplus, measured as the surplus before exceptional items such as asset disposals and tax as a percentage of total income. Council approved a target operating surplus of 2.5% for 2013/14, building additional surplus to fund capital investment in later years. The operating surplus for 2013/14 exceeded target by

0.1%. The operating surplus results from recent years are shown in the chart below.



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, recognising that the revolving credit facility is available for short term requirements. The level of short-term investments and cash is shown in the chart below.



The balance of £31.312 million as at 31 July 2014 is satisfactory and is required to fund working capital requirements and the planned investment in fixed assets over the University's forecast period to 2017/18.

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Future Financial Outlook

The overall position of Higher Education in the UK remains largely positive but there has been a significant shift in the market during the course of the current Parliament. The introduction of the £9,000 fee and the gradual opening up of a genuine market for student recruitment is the biggest change in recent decades.

The 2014/15 financial year has a budget for income to grow to £302.470 million and for an operating surplus of £5.021 million. The budgeted surplus is in line with the revised financial strategy, at 1.7% of income which includes the cost of implementing the staff reduction plan. The challenge for 2014/15 remains to maintain Home/EU undergraduate recruitment and control costs. At this point in the year both aspects are within the budget parameters.

Key Opportunities, Threats and Risks

There are a number of factors impacting on the University's strategic position which may be summarised as follows:

Opportunities

- There is strong demand for undergraduate student places at the University. For 2014/15 entry Home/EU undergraduate applications were up by more than the national average. International undergraduate applications were also higher than last year.
- In the autumn statement the Chancellor announced that from 2015 the cap on the number of students that can be recruited will be removed. The University has significant scope to increase its recruitment of students with A level grades currently covered by the cap, although this is a very competitive place in the market and could also be considered to be a threat as well as an opportunity.
- The University has a consistently high ranking in league tables, ranking in the top 20 of UK universities.
- The University's portfolio of research grants and contracts has grown. The University's initial assessment of the Research Excellence Framework are expected to show some improvement on the results of the 2008 RAE.
- There are a number of international opportunities that are currently being assessed.

Threats and Risks

- The market for postgraduate taught students is shrinking. Nationally the Home/EU postgraduate market declined by 5.6% in 2012/13 and in 2013/14 the University's Home/EU applications are also down. International student numbers have fallen in the last two years. Although the recruitment

has remained steady the University did not meet its target growth in international PGT in 2013.

- The £9,000 fee is regulated by the Government and has not increased since it was introduced in 2012 and is unlikely to increase over the next couple of years. The cost of no inflationary increase is c£0.7 million per annum.
- There is continuing pressure on government funding for higher education which resulted in a fall of 2% for overall government funding for the 2014/15 year and adjustments in year for 2013/14.
- The University continues to face cost pressures relating to the staff base, arising from pension funding and national pay awards. The national pay award for 2014/15 will add around £3.5 million to the University's cost base.
- The University has a higher level of self-funded (ie: unfunded) research than its competitor group.
- New private providers are entering the market, increasing the competition for both campus-based and distance learning teaching provision; especially in lower cost subjects.

The University's financial performance over the last five years was stronger than the preceding five years, but the University needs to perform better relative to its benchmark group.

Conclusion

The University is determined to continue the progress made over recent years and take advantage of both market opportunities and a clear strategic direction in order to strengthen its academic and financial base. It will continue to invest in its infrastructure and aims to stay on course to meet the targets set within the financial strategy. This means focusing on continued financial sustainability while ensuring creation of the cash generating capability necessary to invest in the University's future.

Finally I wish to acknowledge the distinguished contribution of Professor Sir Robert Burgess who served as Vice-Chancellor of the University for fifteen years before retiring in September 2014. At the same time I welcome the new President and Vice-Chancellor, Professor Paul Boyle, who took over from Sir Robert on 1 October 2014 and who we all look forward to working with in the continuing development of our University.

Mr D. Moore
Treasurer
24 November 2014

Public Benefit Statement

FOR THE YEAR ENDED 31 JULY 2014

The University has exempt charitable status and is regulated by HEFCE under the Charities Act 2011.

The members of Council serve as trustees, and in setting the University's mission and strategy have due regard to the Charity Commission's public benefit guidance, and the guidance issued by HEFCE. 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 mission and strategy of the University, highlighted in the Treasurer's report. Through this the University brings a presence and positive impact to 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 Mission and Strategy and is summarised by the values approach of being "elite without being elitist".

The University is proud to be elite but it is not elitist. It is equally as proud to be a university that is inclusive and accessible in its academic culture. The University is one of the most socially inclusive of Britain's top 20 universities. It is also the only university to have won seven consecutive Times Higher Education Awards. Success through its distinctive work is characterised by its approach:

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

The most significant direct beneficiaries of the University's charitable objects are the undergraduate and postgraduate students, who come to the University to enhance their academic qualifications, life skills, and employability. The regional economy also directly benefits from the activities of the University, recent calculations show the annual economic benefit of the University to be £729 million both through direct consumption by the student body, but also by provision of jobs and the integration of University activity into local communities. The University continues to support the employability of our graduates and members of the local community by offering an employment service, providing temporary work to the University and local businesses.

The national economy benefits significantly from the strength of overseas representation in the University's student body. The University has a strong reputation in overseas territories, contributing significantly to the HEI export market. As noted in the Treasurer's report full time international student numbers continue to rise year on year.

Public benefit can also be clearly felt via the learning opportunities and the creation of jobs in territories in which the University's distance learning activities are present. The University has around 5,700 students studying by distance learning, making it part of its' core educational provision.

Looking outward to push boundaries is second nature at the University. Nowhere is this commitment more evident – and more beneficial – than in the pioneering work to support the establishment and development of the University of Gondar in Ethiopia. This African university did not exist in 2003 and is now a thriving institution with 10,000 students which celebrated its first PhD graduate from the Leicester-Gondar PhD programme last year. By enabling Gondar to manage this huge expansion and cope with the pressure it places upon its resources, the link with Leicester is providing the model upon which other UK-Developing World partnerships will be based.

The University's public benefit is also demonstrated through high quality research and teaching.

High quality teaching

The University's high standards in teaching are affirmed by the most recent institutional audit completed by the Quality Assurance Agency for Higher Education which gave confidence (the highest category of outcome) in the soundness of the management of academic standards. For the third year in a row the University was awarded HEFCE National Teaching Fellowships for individual excellence in learning and teaching, achieving a record number of three awards in 2013/14. The University caters for students at all levels of Higher Education, from undergraduate certificates, to postgraduate doctorates. Study can be carried out on campus or by accessing our large distance learning portfolio of programmes. The University encourages access to higher education from all areas of the community, using the flexibility of distance learning and innovative e-learning solutions.

The University's students enter the workplace with a well-rounded university experience, having undergone rigorous academic assessment and been offered numerous opportunities to engage with CV enhancing activities (e.g. volunteering, student enterprise projects, part time work). The most recently published DLHE (Destinations of Leavers from Higher Education) statistics show that only 6.4% of graduates are still seeking employment or further study six months after graduation (compared to a sector average of 7.6%). This is testimony to the University's investment in ensuring our beneficiaries are provided

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with the best skills possible to contribute to their communities. The students leaving the University do so in the knowledge that they will have the skills to contribute to a strong and vibrant workforce which can substantially contribute to the health of their nation.

High quality research

The high quality research being conducted across the University continues to provide public benefit at local, national and global levels.

The University's expertise in medical research has been recognised through a number of major strategic investments. For example, Leicester has been awarded a prestigious Cancer Research UK Centre in 2014, as part of a national £100 million investment by the charitable funder. The CRUK Leicester Centre will help train a new generation of cancer researchers delivering novel treatments and diagnostics to cancer patients. The focus will be on lung cancer and haematological malignancies, with emphasis on chemoprevention, early detection, patient stratification, precision medicines and radiation research. The University's biomedical research also addresses a range of other global health challenges, including cardiovascular, diabetes, neurological, infectious and respiratory diseases. Our pioneering research in fundamental science continues to guide, underpin and inspire disease-focused work.

In multiple ways, the University's social science and legal research expertise underpins policy and practice across the full spectrum of societal and civic life. The building of a safer and fairer society is a core research theme for the University and researchers in many disciplines have contributed over the past year. With hate, prejudice and extremism having increasing relevance to many fields of work, the Leicester Centre of Hate Studies, launched in 2014, aims to become a key driver of information sharing between academics, practitioners, activists and policy-makers. This year, the University also announced a new research partnership with the College of Policing to help build an evidence base for police work, testing policing methods and techniques for tackling crime and helping the service become more efficient.

The University continues to establish strategic partnerships with industry to maximise the economic and societal impact of its scientific research. This year, expertise in materials and metal processing has underpinned a new Innovative Metal Processing Centre for Doctoral Training (IMPACT), which brings together world-class metals research teams from the Universities of Leicester, Birmingham and Nottingham, with 14 industrial and international partners. From October, the EPSRC-funded centre will train future leaders able to exploit and deploy innovative metal processing techniques in industries such as aero-space, power generation, gas and oil, and offshore engineering. Also this year, the University signed an agreement with international engineering company Alstom, supporting collaboration in areas of research related to energy hardware and infrastructure.

The University contributes to our cultural lives through high quality research in the arts and humanities which creates and interprets cultural capital, while illuminating and challenging social values and assumptions. In 2013, the Arts & Humanities Research Council awarded a grant of more than £800,000 to support the creation of The Complete Works of Evelyn Waugh, the first such collection of the author's work to include published literature and personal writings. The project will use cutting-edge Digital Humanities technology, including development of a website that stores research texts and acts as a portal to the Oxford University Press's database of personal writings. A public-facing section of the website, events, Twitter feed, Facebook page and podcasting will engage the public and help uncover missing manuscripts, personal letters and records of meetings with the author.

The impact of the University's research project involving the search for, discovery of and identification of the remains of King Richard III, continues to develop. The multi-disciplinary project has delivered significant economic benefits to the region. The number of tourists visiting Leicestershire rose in 2013 from 28.7 million to 29.5 million and the turnover of leisure businesses such as hotels and visitor attractions increased by 6.2 per cent, double the rise seen by other East Midlands counties. With a new Richard III visitor centre which opened in August 2014 and a planned reburial of the King in 2015, the increase is expected to continue.

Through enterprise and business development activities, the University offers many different ways for external organisations and companies to access and benefit from University expertise, from leading-edge research, continuing professional development and consultancy, to first-rate testing facilities and technologies. The University also runs a number of projects which boost regeneration and support local businesses through expert advice from our leading academics and graduate internships. The University has a portfolio of cutting-edge technologies available for licence as well as an active role in a number of spin-out companies.

The University's 2013/14 HEFCE research funding is the 20th 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 (RAE). 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 – the School of Museum Studies. The shift in the perception of museums – from dusty, unchanging and elitist to the dynamic, vibrant cultural focal points of today – has corresponded with a growing recognition of the critical role that museums perform in society. The School is helping museums to fulfil their potential and become more socially engaged.

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Unless contractual arrangements place restrictions on publication, the results of the University's research are placed in the public domain through journals, books or online on the Leicester Research Archive facility within the University Library.

Research conducted by the University complies with research good practice guidance and the University's Research Code of Conduct overseen by the University Research Committee.

Inclusive and accessible

The University is one of the most socially inclusive of Britain's top 20 leading universities and one of few universities to achieve official government benchmarks for inclusivity for both state school students and students from lower socio-economic groups (as detailed in the latest HESA 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.

Working with community groups and the promotion of learning opportunities for 'hard to reach' groups is a key priority for the University's Institute for Lifelong Learning.

The outreach work of the University is complemented by a targeted bursary scheme (worth £4 million in 2013/14) for students from poorer backgrounds and a clear and transparent policy of fair admissions, set out in our Code of Practice for Admissions.

Tuition fees for full time undergraduate and PGCE courses are regulated by the Office for Fair Access (OFFA). Under the agreement that the University has with OFFA, UK undergraduate students are eligible for University bursaries of non-repayable cash awards.

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

The University recognises that a significant barrier to many postgraduate research students is financial. The University both internally funds standard PhD scholarships but also encourages academic staff to integrate PhD scholarships into research grant contract activity. This has the dual benefit of creating further scholarship opportunities but also increases knowledge transfer within research areas. In addition to standard PhDs, the University offers Graduate Teaching and Graduate Research Assistant scholarships, enabling students to study for a PhD while at the same time gaining experience in either teaching or research. This increases peer to peer learning opportunities and provides additional opportunities to 'up-skill' postgraduate students before they enter the workplace.

The University 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 University's Botanic Gardens and the recently enhanced sports facilities. Many of these facilities include free access for the public and are promoted as part of the University's outreach programme.

The University continues to enhance its estate to not only provide a campus that allows for a growing student base but also entices the local diverse community and national and international visitors to take advantage of the facilities offered.

The University has a well-established unit working with local business and enterprise to ensure strong links between teaching, the community and industries students will go on to work in. It has strong partnerships with both traditional graduate employers and public sector partners, who see the benefit that research led teaching brings to a student body and their ability to be flexible and adaptive in a changing economic environment.

The University has a Regional Engagement Team to work with and engage agencies, policy leaders, government bodies and all types of stakeholders including trade associations, working together to establish effective partnerships and collaborations for mutual benefit. A number of local businesses in the East Midlands are reaping the benefits of Innovation Partnerships with the University and have already seen major improvements to both their business practices and their future prospects. Such schemes have made a positive difference to local companies and the communities that then use their services.

The University will continue to promote public benefit to raise aspirations and transform lives in the local, national and international communities it engages with.

Corporate Governance and Internal Control

FOR THE YEAR ENDED 31 JULY 2014

The following statement is given to assist readers of the Financial Statements in their understanding of the governance procedures of the University. The University endeavours to conduct its affairs in accordance with the Governance Code of Practice for Higher Education Bodies in the UK, issued by the Committee of University Chairs (CUC), and 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 Council normally meets four times a year. 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 and Ordinances of the University and in its Statement of Primary Responsibilities, which is published on the University's website, and are consistent with the Council's accountability obligations to the Higher Education Funding Council for England. The Council holds to itself responsibility for the on-going strategic objectives of the University, including approval of major new developments, and for monitoring progress against these. Council receives regular reports from its committees on the operations of the University and of its subsidiary companies. Council also receives an annual summary assessment of the University's performance against a range of key performance indicators, and these assessments are published on the University's website.

In the financial year 2013-14 the principal Committees of Council included the Finance Committee, Audit Committee and two Remuneration Committees, all formally constituted with terms of reference and all including members drawn from the lay membership of Council. Further details of the University's committee structure are published on the website.

The Finance Committee is responsible for recommending to Council the University's annual Financial Statements and annual budgets, for the overall monitoring of the University's financial health and for advising on the University's overall financial strategy. The Finance Committee also monitors the financial resources that are allocated to the administrative and other support service areas.

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 solely of lay members of Council and other external members co-opted for their expertise. The Committee meets privately with the internal and external auditors for independent discussions as necessary. Under the Audit Committee's Terms of Reference no member of the Committee may also be a member of the Finance Committee unless Council makes a formal decision to allow one Audit Committee member to sit on both.

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

The University undertakes regular external reviews of the effectiveness of Council, and the final report of such reviews is made available on the University's website. Reviews are normally undertaken every five years; the most recent review was conducted in the 2010-11 academic year.

In November 2011 HEFCE conducted an assurance review at the University to examine how the institution exercises accountability for the public funding which it receives. HEFCE's conclusion from the review was that it could place reliance on the University's accountability information, with no recommendations for improvements in any of the areas reviewed. This opinion is valid for a period of five years.

Risk Management

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 provides reasonable but not absolute assurance against material misstatement or loss. Council has approved a comprehensive risk management policy reporting procedure for the University, which is reviewed regularly and updated as required in response to changes in the risk environment.

Corporate Governance and Internal Control

FOR THE YEAR ENDED 31 JULY 2014

The senior management team receives termly reports setting out key performance and risk indicators and considers possible control issues brought to its 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 any necessary 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 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 2014 Council received a report from senior management, originally prepared for and considered by the Audit Committee, on the operation of the University's risk management procedures in 2013-14. Council agreed that the design and scope of these procedures had provided a satisfactory basis on which the University had been able to monitor its major risks in the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

Further work is planned in order to reinforce the linkage between the University's risk management procedures and its strategic objectives. This work will be informed by the new Vice-Chancellor's anticipated review of the University's strategic direction.

Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2014

In accordance with the University's Statutes and Ordinances, the Council of the University of Leicester is responsible for the administration and management of the affairs of the University.

The Primary Responsibilities of the Council are as follows:

- To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- To delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, safeguards against fraud, and procedures for handling internal grievances and for managing conflicts of interest.
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
- To conduct its business in accordance with the CUC Governance Code of Practice and with the principles of public life drawn up by the Committee on Standards in Public Life.
- To safeguard the good name and values of the University.
- To appoint the Vice-Chancellor, on the recommendation of a Joint Committee of Council and Senate, and to put in place suitable arrangements for monitoring his/her performance.
- To appoint the Registrar, on the recommendation of a Joint Committee of Council and Senate, who will be secretary to the Council. The Council will ensure that appropriate arrangements are in place to maintain a separation of the Registrar's functions as Head of the University's Corporate Services, with direct accountability to the Vice-Chancellor, and as Secretary to the Council, with direct accountability to the Chair of Council and Council members.
- To be the employing authority for all staff in the University and to be responsible for establishing a human resources strategy.
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
- To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
- To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- To ensure that the University's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

The Council is required to present audited financial statements for each financial year and 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 Statutes and Ordinances, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms of its accountability obligations to the Higher Education Funding Council for England 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 2018, 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

Responsibilities of the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2014

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, and income for other specific purposes, are used only for the purposes for which they have been given and in accordance with all 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; 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 designed 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 Committee; and
- a professional internal audit team whose annual programme 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
Dr B. E. Towle, Chair of Council
24 November 2014

Members of Council

The Members of Council who served in the 2013-14 financial year were as follows:

Mr P. Ash
Professor M. Barstow
Professor Sir R. Burgess (until 30.9.2014)
Mr G. Dixon
Mr D. Flatt (until 30.6.2014)
Judge A. Hampton
Mr M. Hindle
Mr I. Johnson
Professor J. Ketley
Mr P. Lawson
Professor M. Lester
Dr D. Lockett
Mr A. Morgan
Mr D. Moore
Mr P. Mulvihill (until 31.7.2014)
Professor M. Peel (from 1.10.2013)
Professor E. Raven (from 13.3.2014)
Dr N. Reed
Mr R. Rubin (from 1.7.2014)
Dr V. Sharma
Professor M. Thompson
Ms C. Thorogood
Dr B. Towle (Chair of Council)
Professor D. Wynford-Thomas
Dr M. Rawlinson
Professor J. Scott (until 31.12.2013)

New appointments from 1 August 2014:

Professor P. Boyle (from 1.10.2014)
Mr L. Trotman

Independent Auditor's Report to the Council of the University of Leicester

FOR THE YEAR ENDED 31 JULY 2014

We have audited the financial statements of the University of Leicester for the year ended 31 July 2014 which comprise 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 Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the members of the Council in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and the Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the University's affairs as at 31 July 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum and with the funding council.

Matter on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2014

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 2007 (SORP) and applicable Accounting Standards.

Having made appropriate enquiries, the Council considers that the University has adequate financial resource to continue in operation for the foreseeable future, being not less than twelve months from signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing financial statements.

The following accounting policies have been applied consistently in both the current and preceding years, 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 2014. 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. Where the amount of a tuition fee is reduced income is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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 financial statements 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 a 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.
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 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' 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.

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2014

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. In the intervening years, the actuaries review the progress of the Schemes. 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 as follows. The current service cost is shown within operating charges. The interest cost and the expected return on assets is shown within finance costs. Actuarial gains and losses are recognised immediately 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 (S2P). The assets of the scheme are held in a separate trustee administered fund. 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 institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis 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. Rental income from operating leases is recognised on a straight line basis over the life of the lease irrespective of when such payments are due.

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 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

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.

Statement of Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2014

10. Fixtures and Fittings

Fixtures and fittings are stated at cost and depreciated over their useful life on a straight line basis for a period of between 5 and 10 years.

Where fixtures and fittings are acquired with the aid of specific grants they are 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 fixtures and fittings.

11. 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.

12. Investments

Endowment Asset Investments are included in the Balance Sheet at market value, with changes taken to the Statement of Total Recognised Gains and Losses. All other investments are included at the lower of cost and net realisable value.

13. 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.

14. 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.

15. 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. Expenditure that extends the useful life of an asset or enhances an asset is capitalised.

16. 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.

Contingent liabilities are disclosed by way of a note when the definition of a provision is not met and includes three scenarios: possible obligation from a past event; a possible rather than probable outflow of economic benefit; or an inability to measure the economic outflow.

17. Taxation Status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (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 College Court Conference Centre Ltd. (formerly Leicester Academic Trading Services Ltd.) which is VAT grouped with the University).

18. 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.

19. 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.

20. Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Consolidated Income and Expenditure Account

FOR THE YEAR ENDED 31 JULY 2014

	Note	2013/14 £000	2012/13 £000
Income			
Funding Body Grants	1	46,674	55,055
Tuition Fees and Education Contracts	2	137,063	120,910
Research Grants and Contracts	3	51,619	55,206
Other Income	4	49,950	49,434
Endowment and Investment Income	5	1,359	830
Total Income		286,665	281,435
Expenditure			
Staff Costs	6	162,464	152,826
Other Operating Expenses		98,504	106,227
Depreciation	9	15,283	12,476
Interest and Other Finance Costs	7	2,905	2,922
Total Expenditure	8	279,156	274,451
Surplus Before Tax		7,509	6,984
Taxation		–	–
Surplus After Tax		7,509	6,984
Transfer from Accumulated Income in Endowment Funds	18	47	213
Surplus for the Year Retained Within General Reserves	19	7,556	7,197

- 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.

Consolidated Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 JULY 2014

	Note	2013/14 £000	2012/13 £000
Surplus on Continuing Operations After Tax		7,509	6,984
Appreciation of Endowment Asset Investments	11	148	926
New Endowments	18	320	4,037
Valuation Gain on transfer to Endowments		–	301
Actuarial (Loss)/Gain in Respect of Pension Scheme	32	(6,721)	7,083
Total Recognised Gains/(Losses) Relating to the Year		1,256	19,331

Reconciliation

	2013/14 £000	2012/13 £000
Opening Reserves and Endowments	67,335	48,004
Total Recognised Gains/(Losses) for the Year	1,256	19,331
Closing Reserves and Endowments	68,591	67,335

Balance Sheets

AS AT 31 JULY

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed Assets					
Tangible Assets	9	259,338	254,674	257,081	254,674
Investments	10	82	63	382	63
		<u>259,420</u>	<u>254,737</u>	<u>257,463</u>	<u>254,737</u>
Endowment Asset Investments	11	<u>12,197</u>	<u>11,776</u>	<u>12,197</u>	<u>11,776</u>
Current Assets					
Stocks		563	586	557	586
Debtors	12	29,903	28,615	33,033	28,636
Investments	13	2	704	2	704
Cash at Bank and in Hand		31,310	41,985	31,242	41,976
		<u>61,778</u>	<u>71,890</u>	<u>64,834</u>	<u>71,902</u>
Creditors: Amounts Falling Due Within One Year	14	<u>(75,964)</u>	<u>(87,893)</u>	<u>(75,761)</u>	<u>(88,064)</u>
Net Current (Liabilities)		<u>(14,186)</u>	<u>(16,003)</u>	<u>(10,927)</u>	<u>(16,162)</u>
Total Assets Less Current Liabilities		<u>257,431</u>	<u>250,510</u>	<u>258,733</u>	<u>250,351</u>
Creditors: Amounts Falling Due After More Than One Year	15	<u>(57,586)</u>	<u>(59,368)</u>	<u>(57,586)</u>	<u>(59,368)</u>
Provisions for Liabilities and Charges	16	<u>(1,276)</u>	<u>(409)</u>	<u>(1,276)</u>	<u>(409)</u>
Net Assets Excluding Pension Liability		<u>198,569</u>	<u>190,733</u>	<u>199,871</u>	<u>190,574</u>
Pension Liability	32	<u>(25,922)</u>	<u>(21,983)</u>	<u>(25,922)</u>	<u>(21,983)</u>
Net Assets Including Pension Liability		<u>172,647</u>	<u>168,750</u>	<u>173,949</u>	<u>168,591</u>
Deferred Capital Grants	17	<u>104,056</u>	<u>101,415</u>	<u>104,056</u>	<u>101,415</u>
Endowments					
Expendable	18	7,512	7,174	7,512	7,174
Permanent	18	4,685	4,602	4,685	4,602
		<u>12,197</u>	<u>11,776</u>	<u>12,197</u>	<u>11,776</u>
Reserves					
General Reserve Excluding Pension Liability		82,316	77,542	83,618	77,383
Pension Reserve	32	(25,922)	(21,983)	(25,922)	(21,983)
		<u>56,394</u>	<u>55,559</u>	<u>57,696</u>	<u>55,400</u>
Total		<u>172,647</u>	<u>168,750</u>	<u>173,949</u>	<u>168,591</u>

The financial statements were approved by the Council and authorised for issue on 24 November 2014 and were signed on its behalf by Professor P. Boyle, President & Vice-Chancellor and Dr B.E.Towle, Chair of Council.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 JULY 2014

	Note	2013/14 £000	2012/13 £000
Net Cash Inflow From Operating Activities	20	11,488	19,660
Returns on Investments and Servicing of Finance	21	(2,204)	(1,618)
Taxation		–	–
Capital Expenditure and Financial Investment	22	(10,836)	(36,095)
Management of Liquid Resources	23	105	20,455
Financing	24	(9,189)	22,801
(Decrease)/Increase in Cash in the Year	25	(10,636)	25,203

Reconciliation of Net Cash Flow to Movement in Net Debt

FOR THE YEAR ENDED 31 JULY 2014

	Note	2013/14 £000	2012/13 £000
(Decrease)/Increase in Cash in the Year	25	(10,636)	25,203
Change in Short Term Deposits	25	(105)	(20,455)
Change in Debt	25	9,189	(22,801)
Change in Net Debt		(1,552)	(18,053)
Net Debt at 1 August	25	(30,388)	(12,335)
Net Debt at 31 July	25	(31,940)	(30,388)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

1 Funding Body Grants	2013/14	2012/13
	£000	£000
Higher Education Funding Council for England	40,288	49,362
Training and Development Agency for Schools	–	250
Non Recurrent Grants		
Higher Education Innovation Fund	1,781	1,933
National Scholarship Programme	738	333
Employer Engagement	–	35
Matched Funding Scheme	345	–
Training and Development Agency for Schools Specific Grants	360	198
Other Specific Grants	–	337
Deferred Capital Grants Released In Year		
Buildings	2,512	2,448
Equipment	650	159
	46,674	55,055
	<u><u>46,674</u></u>	<u><u>55,055</u></u>
2 Tuition Fees and Education Contracts	2013/14	2012/13
	£000	£000
Full-time Home and EU Students	57,364	46,483
Full-time International Students	53,742	49,838
Part-time Students	23,149	21,511
Research Training Support Grants	2,808	3,078
	137,063	120,910
	<u><u>137,063</u></u>	<u><u>120,910</u></u>
3 Research Grants and Contracts	2013/14	2012/13
	£000	£000
Research Councils	16,786	17,792
UK Based Charities	11,284	13,632
UK Government, Health and Hospital Authorities	13,016	14,222
UK Industry, Commerce and Public Corporations	2,768	2,215
EU Government Bodies	5,599	5,253
EU Other	896	805
Other Overseas	1,165	1,148
Other Sources	105	139
	51,619	55,206
	<u><u>51,619</u></u>	<u><u>55,206</u></u>

Research grants and contracts income includes £2,224,000 (2013: £2,198,000) in respect of the release of deferred capital grants on equipment and £54,300 (2013: £41,500) in respect of the release of deferred capital grants on buildings.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

4 Other Income	2013/14	2012/13
	£000	£000
Residences, Catering and Conferences	25,733	24,438
Health Authority Funded Posts	9,903	11,121
Other Services Rendered	5,308	6,244
Bookshops	917	941
Deferred Capital Grants Released in Year	853	573
Other Income	7,236	6,117
	49,950	49,434
	49,950	49,434

5 Endowment and Investment Income	2013/14	2012/13
	£000	£000
Income from Expendable Endowments	204	68
Income from Permanent Endowments	136	108
Income from Current Asset Investments and Cash at Bank	372	654
	712	830
Net Gain on Pension Scheme (<i>note 32</i>)	647	–
	1,359	830
	1,359	830

6 Staff Costs	2013/14	2012/13
	£000	£000
Salaries	134,288	125,034
Social Security Costs	10,638	10,322
Other Pension Costs	19,673	18,996
	164,599	154,352
FRS 17 Adjustment (<i>note 32</i>)	(2,135)	(1,526)
	162,464	152,826
	162,464	152,826

The pension contributions to the Universities Superannuation Scheme (USS) and CARE USS were at the standard rate of 16% of salary.

The pension contributions to the Pension and Assurance Scheme (PAS) were at the standard rate of 28.7% of salary. In addition, the University made a lump sum supplementary contribution of £1,500,000 (2013: £1,565,000) to the PAS, in line with the schedule of contributions.

The pension contributions to the Friends Life Scheme were at the standard rate of 5, 7, 9 or 11% of salary dependent upon the employee contribution rate chosen.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

6 Staff Costs (continued)

	2013/14 £000	2012/13 £000
Emoluments of the Vice-Chancellor:		
Salary	256	252
Benefits – Accommodation	6	7
	<u>262</u>	<u>259</u>
Employer's Pension Contributions	41	40
	<u>303</u>	<u>299</u>

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£100,000 – £109,999	20	22	6	4	14	18
£110,000 – £119,999	14	14	3	6	11	8
£120,000 – £129,999	13	6	5	2	8	4
£130,000 – £139,999	5	11	1	5	4	6
£140,000 – £149,999	7	4	4	3	3	1
£150,000 – £159,999	5	8	5	8	–	–
£160,000 – £169,999	4	8	4	8	–	–
£170,000 – £179,999	8	6	8	6	–	–
£180,000 – £189,999	5	3	3	3	2	–
£190,000 – £199,999	4	3	3	3	1	–
£200,000 – £209,999	–	–	–	–	–	–
£210,000 – £219,999	2	1	2	1	–	–
£220,000 – £229,999	1	2	1	2	–	–
£230,000 – £239,999	–	–	–	–	–	–
£240,000 – £249,999	1	1	1	1	–	–

There are no compensation for loss of office payments to former higher-paid staff (2012/13: £nil).

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

	2013/14	2012/13
Academic and Clinical	848	820
Research	428	429
Administration, Library, Computer and Other Related	765	713
Technical	222	236
Clerical, Manual and Ancillary	1,243	1,082
	<u>3,506</u>	<u>3,280</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

7 Interest and Other Finance Costs

	2013/14 £000	2012/13 £000
Loans Wholly or Partly Repayable in More Than Five Years	2,905	2,317
Net Charge on Pension Scheme	–	605
	<u>2,905</u>	<u>2,922</u>

8 Analysis of Total Expenditure by Activity

	2013/14 £000	2012/13 £000
Academic Departments	119,004	115,740
Academic Services	26,402	24,585
Administration and Central Services	34,594	35,730
Premises	30,897	28,070
Residences, Catering and Conferences	21,129	20,608
Research Grants and Contracts	42,229	45,414
Other Expenses	4,901	4,304
	<u>279,156</u>	<u>274,451</u>

Total expenditure includes:

External Auditor's Remuneration in Respect of Audit Services:

Deloitte LLP	43	40
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External Auditor's Remuneration in Respect of Audit Services to Subsidiaries:

Deloitte LLP	6	3
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External Auditor's Remuneration in Respect of Non-audit Services:

Deloitte LLP – other assurance services	21	29
– other services	–	6

Operating Lease Rentals:

Land and Buildings	476	369
Other	299	165

Payments to Members of Council in Respect of Council Activities

3	1
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Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

9 Tangible Assets	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Equipment £000	Fixtures and Fittings £000	Assets in the Course of Construction £000	Total £000
Consolidated						
Cost						
At 1 August 2013	243,639	25,721	43,259	–	25,938	338,557
Additions	5,012	517	4,698	224	9,521	19,972
Disposals	–	–	(134)	–	–	(134)
Transfers at cost	17,760	10	765	3,780	(22,315)	–
At 31 July 2014	266,411	26,248	48,588	4,004	13,144	358,395
Depreciation						
At 1 August 2013	43,432	3,904	36,547	–	–	83,883
Charge for the year	7,737	631	6,229	686	–	15,283
Eliminated on disposals	–	–	(109)	–	–	(109)
At 31 July 2014	51,169	4,535	42,667	686	–	99,057
Net Book Value						
At 31 July 2013	200,207	21,817	6,712	–	25,938	254,674
At 31 July 2014	215,242	21,713	5,921	3,318	13,144	259,338

The Consolidated assets includes a fixtures and fittings asset of the wholly owned subsidiary company College Court Conference Centre Limited with a cost of £2,677,212 and a net book value of £2,256,945. As such the Net Book Value of University assets is lower than the consolidated position by £2,256,945.

Land and buildings with a cost of £97,458,176 and a net book value of £76,085,376 have been funded from UK Government 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:

	Cost £000	Net Book Value £000
Michael Atiyah Building (125 year lease commencing 1996 from Wygggeston and Queen Elizabeth I College)	6,471	4,743
Main Campus Sports Centre (99 year lease commencing 2000 from Wygggeston and Queen Elizabeth I College)	6,424	5,823
Various NHS Sites	12,233	10,398
Other Sites	954	550

Freehold land and buildings includes £9,525,175 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.

	Consolidated £000
The depreciation charge has been funded by:	
Deferred capital grants released (<i>note 17</i>)	6,292
General income	8,991
	<u>15,283</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

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

Name	2014 % Shareholding	2013 % Shareholding	Principal Activity
Leicester Academic Library Services Limited	100%	100%	Not trading (ceased trading on 28 February 2007)
College Court Conference Centre Limited (formerly Leicester Academic Trading Services Limited)	100%	100%	Operation of conferencing facility

The consolidated Financial Statements incorporate the activities of Leicester Academic Library Services Limited and College Court Conference Centre Limited (formerly Leicester Academic Trading Services Limited).

During the year 300,000 £1 newly issued shares were purchased in College Court Conference Centre Limited.

Associated Undertakings

Name	2014 % Shareholding or Other Interest	2013 % Shareholding or Other Interest	Principal Activity
Scionix Limited	50%	50%	Development of solvents for industrial purposes
Gamma Technologies Limited	–	49%	Development of a portable scintigraphy camera
OCB Media Limited	24%	24%	Development and pursuit of electronically distributed high level e-learning material and multimedia products
Bionutrix LLC. (registered in the USA)	10%	10%	Development of the commercial potential of research in Microbiology
Haemostatix Limited	6%	6%	Rational design and development of drugs
Bioastral Limited	34%	34%	To exploit the potential of adapting optical detection technology developed for space research to use in biological research
Spectral ID Limited	50%	50%	Other research and experimental development on natural sciences and engineering.
Open Brain Limited	39%	39%	Development of software based on Baysig technology platform with a wide range of potential applications
Axendos Limited	50%	50%	Drug development for pneumococcal disease

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 2014

11 Endowment Asset Investments

	2014 £000	2013 £000
Consolidated and University		
Balance at 1 August	11,776	7,026
Additions: Capital	320	4,037
Net Expenditure	(47)	(213)
Appreciation on Revaluation	148	926
	<u>12,197</u>	<u>11,776</u>
Balance at 31 July	<u>12,197</u>	<u>11,776</u>
Represented by:		
Securities	11,105	10,723
Cash at Bank Held for Endowment Funds	1,092	1,053
	<u>12,197</u>	<u>11,776</u>

12 Debtors

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts Falling Due Within One Year:				
Research Grants and Contracts	13,136	12,322	13,135	12,322
Amount Owed by Subsidiary Undertaking	–	–	685	21
Other Debtors and Prepayments	16,307	15,776	16,076	15,776
Amounts Falling Due After More Than One Year:				
Students' Union Loan	460	517	460	517
Amount Owed by Subsidiary Undertaking	–	–	2,677	–
	<u>29,903</u>	<u>28,615</u>	<u>33,033</u>	<u>28,636</u>

13 Current Asset Investments

	2014 £000	2013 £000
Consolidated and University		
Fixed Interest Stocks	–	597
Bank and Building Society Deposits	2	107
	<u>2</u>	<u>704</u>

The bank and building society deposits shown above are held on time deposits and notice accounts. The weighted average interest rate receivable was 1.78% and these are held for an average period of 66 days.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

14 Creditors: Amounts Falling Due Within One Year

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Mortgages and Other Loans	6,782	14,189	6,782	14,189
Research Grants and Contracts	18,163	18,391	21,654	18,391
Payments Received in Advance	7,795	16,191	7,789	16,191
Other Creditors	27,815	20,460	24,085	20,460
Social Security and Other Tax Payable	3,746	3,291	3,693	3,291
Accruals and Deferred Income	11,663	15,371	11,585	15,370
Amount Owed to Subsidiary Undertaking	–	–	173	172
	75,964	87,893	75,761	88,064

15 Creditors: Amounts Falling Due After More Than One Year

	2014 £000	2013 £000
Consolidated and University		
Term Loans:		
Barclays Bank Plc repayable by 2018	1,778	2,312
NatWest Bank Plc repayable by 2019	2,178	2,558
Barclays Bank Plc repayable by 2031	9,039	9,385
Barclays Bank Plc repayable by 2037	13,583	13,982
European Investment Bank repayable by 2038	30,000	30,000
Salix Revolving Green Fund	984	1,107
Other	24	24
	57,586	59,368

The NatWest loan is secured on a portion of freehold land and buildings of the University. The NatWest loan is repayable in instalments over periods up to 2019, with interest payable at a fixed rate of 9.753%. The European Investment Bank loan is repayable in instalments over periods up to 2038, with interest payable at a fixed rate of 3.467%.

The Barclays loans are repayable in instalments over the periods up to 2018, 2031 and 2037 respectively. The rates of interest on the loans are fully hedged, at rates of 4.895%, 4.67% and 4.165% respectively. As at 31 July 2014 the cap and swap hedging arrangements in respect of floating rate loans had a negative fair value of £4,033,784 (2013: £4,568,698).

Bank loans are repayable as follows:

	2014 £000	2013 £000
Consolidated and University		
In one year or less (<i>note 14</i>)	6,782	14,189
Between one and two years	2,354	1,782
Between two and five years	8,210	8,113
In five or more years	47,022	49,449
	64,368	73,533

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

16 Provisions for Liabilities and Charges

	2014 £000	2013 £000
Consolidated and University		
Balance at 1 August	409	493
Expenditure in the Year	(149)	(233)
Transferred from Income and Expenditure Account:		
In Respect of Pension Costs and Severance Payments	625	149
In Respect of future adjustments for 2013-2014 HEFCE teaching grant	391	–
Balance at 31 July	<u>1,276</u>	<u>409</u>

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.

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 2027.
- the expected reductions in Higher Education Funding Council for England teaching grant for 2013-2014 following the submission for final student number returns for that period.

17 Deferred Capital Grants

	Funding Council £000	Other Grants & Benefactions £000	Total £000
Consolidated and University			
At 1 August 2013			
Buildings	75,870	22,726	98,596
Equipment	–	2,819	2,819
Total	<u>75,870</u>	<u>25,545</u>	<u>101,415</u>
Cash Received and Receivable			
Buildings	936	4,954	5,890
Equipment	1,874	1,169	3,043
Total	<u>2,810</u>	<u>6,123</u>	<u>8,933</u>
Released to Income and Expenditure			
Buildings	2,512	657	3,169
Equipment	650	2,473	3,123
Total	<u>3,162</u>	<u>3,130</u>	<u>6,292</u>
At 31 July 2014			
Buildings	74,294	27,023	101,317
Equipment	1,224	1,515	2,739
Total	<u>75,518</u>	<u>28,538</u>	<u>104,056</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

18 Endowments

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
Consolidated and University						
Balances at 1 August	1,108	3,494	4,602	7,174	11,776	7,026
New Endowments	–	64	64	256	320	4,037
Investment Income	36	100	136	204	340	176
Expenditure (Decrease)/Increase in Market Value of Investments	(36)	(123)	(159)	(228)	(387)	(389)
	10	32	42	106	148	926
Balance at 31 July	1,118	3,567	4,685	7,512	12,197	11,776
Represented by:						
Capital	1,118	2,993	4,111	6,994	11,105	10,723
Accumulated Income		574	574	518	1,092	1,053
	1,118	3,567	4,685	7,512	12,197	11,776

Funds Exceeding £100,000 at 31 July

	2014 £000	2013 £000
Restricted Permanent		
Burton Holocaust Centre	289	275
Tyler Chair	170	165
The Leicester Judgment and Decision Making Fund	150	123
Fraser Bursary Fund	145	137
Faire and Allaway Fund	128	133
Marc Fitch Fund	116	114
Restricted Expendable		
The van Geest Foundation Heart and Cardiovascular Diseases Research Fund	4,563	4,476
Wathes Centenary Scholarship Fund	683	660
Ulverscroft Endowment	538	520
Frears Endowment	327	322
Richard Attenborough Centre Fund	279	261
Spire Endowment	169	179
Heartsearch Research Fund	148	–
Unrestricted Permanent		
Lewis Lilley Fund	299	289
Church Langton Fund	246	240
Simpson Gee Fund	180	181

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

19 General Reserve Including Pension Liability

	Consolidated £000	University £000
Balance at 1 August 2013	55,559	55,400
Surplus Retained for the Year	7,556	9,017
Actuarial Loss in Respect of Pension Scheme	(6,721)	(6,721)
Balance at 31 July 2014	56,394	57,696

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

	2013/14 £000	2012/13 £000
Surplus before Tax	7,509	6,984
Depreciation (note 9)	15,283	12,476
Loss on disposal of fixed assets	25	194
Deferred Capital Grants Released to Income (note 17)	(6,292)	(5,419)
Investment Income (note 5)	(712)	(830)
Interest Payable Excluding FRS 17	2,905	2,317
Decrease in Stocks	23	92
Increase in Debtors	(1,334)	(1,958)
(Decrease)/Increase in Creditors	(4,004)	6,744
Increase/(Decrease) in Provisions	867	(84)
Pension Costs less Contributions Payable	(2,782)	(856)
Net Cash Inflow from Operating Activities	11,488	19,660

21 Returns on Investments and Servicing of Finance

	2013/14 £000	2012/13 £000
Income from Endowments (note 18)	340	176
Other Interest Received	418	531
Interest Paid	(2,962)	(2,325)
	(2,204)	(1,618)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

22 Capital Expenditure and Financial Investment

	2013/14 £000	2012/13 £000
Fixed Asset Investments Acquired	(19)	–
Current Asset Investments Sold	597	760
New Endowments Received (note 18)	320	4,037
Endowment Funds Invested (note 18)	(234)	(4,497)
Payments made to Acquire Fixed Assets	(20,433)	(42,204)
Deferred Capital Grants Received	8,933	5,809
	<u>(10,836)</u>	<u>(36,095)</u>
Net Cash Outflow for Capital Expenditure and Financial Investment	<u>(10,836)</u>	<u>(36,095)</u>

23 Management of Liquid Resources

	2013/14 £000	2012/13 £000
Withdrawals from Deposits	105	20,455
	<u>105</u>	<u>20,455</u>

24 Financing

	2013/14 £000	2012/13 £000
Loans Brought Forward	73,533	50,732
New Unsecured Loan	–	42,746
Capital Repayments	(9,189)	(19,945)
Net Changes	<u>(9,189)</u>	<u>22,801</u>
Loans Carried Forward	<u>64,344</u>	<u>73,533</u>

25 Analysis of Changes in Net Debt

	At 1 August 2013 £000	Cash Flows £000	Other Changes £000	At 31 July 2014 £000
Endowment Assets (note 11)	1,053	39	–	1,092
Cash at Bank and in Hand	41,985	(10,675)	–	31,310
Cash Resources	43,038	(10,636)	–	32,402
Short Term Investments (note 13)	107	(105)	–	2
Debt Due Within One Year (note 15)	(14,189)	9,189	(1,782)	(6,782)
Debt Due After One Year (note 15)	(59,344)	–	1,782	(57,562)
Net Debt	<u>(30,388)</u>	<u>(1,552)</u>	<u>–</u>	<u>(31,940)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

26 Capital Commitments

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Commitments Contracted at 31 July	33,219	5,601	33,219	5,601
Authorised but Not Contracted at 31 July	28,922	64,958	28,922	64,958
	62,141	70,559	62,141	70,559

27 Contingent Liability

The University is not aware of any contingent liabilities (2013: £nil).

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		Land and Buildings	
	2014 £000	Equipment 2014 £000	2013 £000	Equipment 2013 £000
Consolidated and University				
Leases expiring:				
Within one year	23	4	138	155
Between two and five years	319	312	–	254
Over five years	206	–	290	–
	548	316	428	409

The University has no finance lease commitments (2013: £nil).

29 Post Balance Sheet Events

There are no post balance sheet events.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

30 Amounts Disbursed as Agent

Access to Learning Fund	2013/14	2012/13
	£000	£000
Consolidated and University		
Income		
HEFCE Grants	198	191
	198	191
Expenditure		
Expenditure in Relation to Eligible Students	198	191
	198	191
Balance at 31 July	–	–

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.

Training and Development Agency for Schools: Training Bursaries	2013/14	2012/13
	£000	£000
Cash Received	1,225	2,033
Bursaries Paid	(1,535)	(1,910)
(Receivable from)/Repayable to TDA	(310)	123

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

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 College Court Conference Centre Ltd. (formerly 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 2013/14.

These financial statements include the following transactions with related parties. No information has been listed for organisations where the income and expenditure is less than £25,000 in the financial year as this is not considered material to either party.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

	Income Transactions £000	Expenditure Transactions £000	Balance due to / (from) the University £000
University Hospitals of Leicester NHS Trust	19,775	5,641	981
University of Oxford	308	67	29
University of Cambridge	256	–	4
University of Leicester Students' Union	87	201	466
Science and Technology Facilities Council	85	–	–
National Centre for Social Research	80	–	60
University of Liverpool	41	67	15
Higher Education Academy	–	31	(1)
University of Northampton	–	44	(11)
Quality Assurance Agency	–	34	–
NSSC Operations Ltd. (National Space Centre)	–	27	(4)
Leicestershire County Council	–	86	(6)
	20,632	6,198	1,533
	20,632	6,198	1,533

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. The University Council includes a Non-Executive Director and the Chairman of the NHS Trust.

University of Oxford

One member of Council has a family member employed at the University.

University of Cambridge

One member of Council is the chair of the Centre for International Business and Management.

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 President of the Students' Union and a Trustee.

Science and Technology Facilities Council

One member of Council is a member of the board.

National Centre for Social Research

One member of Council is the chair of the board.

University of Liverpool

One member of Council is an honorary professor.

Higher Education Academy

The Vice Chancellor of the University of Leicester is also Board Chair of the Higher Education Academy.

University of Northampton

One member of Council has a family member employed at the University.

Quality Assurance Agency

Two members of Council are reviewers for the Quality Assurance Agency.

NSSC Operations Ltd. (National Space Centre)

One member of Council is a trustee.

Leicestershire County Council

One member of Council is an independent overseeing code of conduct.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

32 Pension Schemes

The University provides pension provision for its employees through the following six 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 Aviva Group Personal Pension Scheme. This is a defined contribution scheme.
- College Court Stakeholder Scheme. This is a defined contribution scheme.

The University's contributions to the various schemes in respect of its own staff, in the years 2013/14 and 2012/13 were:

	2013/14	2012/13
	£000	£000
Universities Superannuation Scheme	14,161	13,512
University of Leicester Pension and Assurance Scheme	3,369	3,699
University of Leicester Stakeholder Scheme	1,065	661
NHS Pension Scheme	1,073	1,124
Aviva Group Personal Pension Scheme	3	–
College Court Stakeholder Scheme	2	–
	<hr/>	<hr/>
	19,673	18,996
FRS 17 adjustment re PAS charges to salaries & wages	(2,135)	(1,526)
	<hr/>	<hr/>
	17,538	17,470
	<hr/> <hr/>	<hr/> <hr/>

Universities Superannuation Scheme (USS)

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

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

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 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 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

32 Pension Schemes (continued)

Standard mortality tables were used. The 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 CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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

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 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

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

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

Assumption	Change in assumption	Impact on shortfall
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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 but the allowance for promotional salary increases was not as high. 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 was included, in addition, on account of the variability mentioned above.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

32 Pension Schemes (continued)

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31st March 2011, there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 2,043 active members participating in the scheme.

The total pension cost for the institution was £14.2 million (2013: £13.5 million). This includes £1.8 million (2013: £1.8 million) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

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 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 Schemes Rules of 25 June 1999. The Scheme is a "registered pension scheme" for tax purposes (Reference number 100222535). It is registered under the Data Protection Act 1998 (Registration number Z8179467). Members are currently contracted out of the State Second Pension Scheme. At 31 July 2014 there were 303 active members in the PAS.

The Trustees of the Scheme have the responsibility for its proper and correct management. The Scheme administrators are Aon Hewitt who also act as consultant and actuary to the Scheme.

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 contributions made during the financial year 2013/14 were determined following the August 2010 actuarial valuation. The outcome of that valuation was:-

- the value of the Scheme liabilities was £123.4 million
- the Scheme's assets were valued at £94.6 million
- there was therefore a shortfall of £28.8 million
- which represents a funding level (assets divided by liabilities) of 77%

The recovery plan agreed in 2010 provided for an annual contribution from the University in each year to 2026/27 of £1.5 million plus a 5.27% levy on top of the employers ongoing service contribution rate of 23.43%.

A further actuarial valuation was undertaken at 1st August 2013. The outcome of this latest valuation was:-

- the value of the Scheme liabilities was £154.0 million
- the Scheme's assets were valued at £124.4 million
- there was therefore a shortfall of £29.6 million
- which represents a funding level (assets divided by liabilities) of 81%

The 2013 actuarial valuation was calculated according to the assumptions agreed by the University and the Trustees in the PAS Statement of Funding Principles. The assumptions used in the 1 August 2013 valuation were as follows:-

Actuarial method	Attained Age Method
Post Retirement Mortality – Base Table	110% (Males & Females Actives) / 100% (All other members) of S1PXA
Post Retirement Mortality – Future Improvements	CNI 2013 core projections with long term improvement rate of 1.5% per annum for males and females
Pre-Retirement Discount Rate	Gilt curve plus 1.7% per annum
Post-Retirement Discount Rate	Average of Gilt and AA corporate bond curves
RPI Inflation	Break even RPI curve less 0.2% per annum
CPI Inflation	RPI Inflation less 0.7% per annum
Pension increases per annum	1.0%, 1.5%, 2.0% 3.0% then CPI inflation plus 1.0% per annum as from 1st August 2017. Promotional scale applied in addition.

Following the 2013 actuarial valuation the University agreed a new recovery plan to meet the past service shortfall of £29.6 million by making annual lump sum payments of £1.8 million commencing in August 2014, until 2026. The employer contribution rate for future service was set at 19% of pensionable salary. The University has also agreed to pay a sum of £321,000 per annum, to be uplifted by RPI in future years, towards the administration costs of the Scheme and to reimburse the Scheme for the full cost of the Pension Protection Fund levy. The employee contribution remains at 7.5%.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

32 Pension Schemes (continued)

Under the FRS17 accounting standard, the University has a statutory requirement to report on the actuarial position of the Scheme each year. FRS17 uses a different set of assumptions to those used for the actuarial valuation and for 31st July 2014 the net pension liability under these assumptions was £25.9 million. Set out below is the FRS 17 disclosure as at 31 July 2014, 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:

	2014	2013
Rate of increase in salaries *	3.25%	3.30%
Rate of increase in pensions in payment:		
Post 05.04.1988 GMPs	2.05%	2.10%
Non-GMPs	3.10%	3.10%
Discount rate	4.10%	4.45%
Inflation assumption RPI	3.25%	3.30%
Inflation assumption CPI	2.35%	2.40%
Expected return on plan assets at 31 July	5.70%	5.70%

* The 2014 FRS 17 assumption for salary increases is 3.25% from 2018 onwards. Up to that period the percentage increase is as follows:

Year 1	(01.08.2015)	2.00%
Year 2	(01.08.2016)	2.00%
Year 3	(01.08.2017)	2.00%

The life expectancies in years based on a retirement age of 65 are:

	2014	2013
Males – retirements in year	21.6	21.6
– retirements in 20 years	23.5	22.9
Females – retirements in year	24.3	23.6
– retirements in 20 years	25.8	24.7

Scheme Assets

	2014	2013
	£000	£000
The value of the assets in the Scheme were:		
Equities	44,508	47,153
Bonds	33,302	26,275
Diversified Growth Funds	53,594	51,177
Cash	335	(232)
	131,739	124,373

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

Net Pension Liability

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

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Fair value of employer assets	131,739	124,373	110,531	105,946	94,721
Present value of Scheme liabilities	(157,661)	(146,356)	(140,453)	(127,890)	(129,077)
Net pension liability	(25,922)	(21,983)	(29,922)	(21,944)	(34,356)

Fair Value of Employer Assets:

	2014	2013
	£000	£000
Opening Fair Value of Plan Assets	124,373	110,531
Expected Return on Assets	7,106	5,537
Contributions by Members	463	507
Contributions by Employer	3,369	3,699
Actuarial Gains	549	8,117
Estimated Benefits Paid	(4,121)	(4,018)
Total	131,739	124,373

The University expects to contribute £3.3 million to its defined benefit pension plan from 1 August 2014 – 31 July 2015.

Present Value of the Defined Benefit Plan:

	2014	2013
	£000	£000
Opening Defined Benefit Obligation	146,356	140,453
Current Service Cost	1,234	2,173
Past Service Cost	–	65
Interest Cost	6,459	6,142
Contributions by Members	463	507
Actuarial Losses/(Gains)	7,270	1,034
Estimated Benefits Paid	(4,121)	(4,018)
Closing Defined Benefit Obligation	157,661	146,356

Analysis of amounts (charged) to Income and Expenditure Account:

	2013/14	2012/13
	£000	£000
Current service cost	(1,234)	(2,173)
Past service cost	–	(65)
Financing:		
– expected return on Scheme assets	7,106	5,537
– interest on expected Scheme liabilities	(6,459)	(6,142)
– net income/(charge)	647	(605)
Net Income and Expenditure Account (Cost)	(587)	(2,843)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

32 Pension Schemes (continued)

	2013/14 £000	2012/13 £000
Actual return on plan assets	7,655	13,654

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

	2013/14 £000	2012/13 £000
Actual return less expected return on Scheme assets	549	8,117
Experience gains and losses arising on Scheme liabilities	1,997	1,672
Changes in assumptions underlying the present value of Scheme liabilities	(9,267)	(2,706)
Total actuarial (loss) /gain recognised	(6,721)	7,083

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

	2014 £000	2013 £000
Deficit on Scheme at 1 August	(21,983)	(29,922)
Movement in year:		
– current service cost	(1,234)	(2,173)
– past service cost	–	(65)
– contributions	3,369	3,699
– other finance gain/(loss)	647	(605)
– actuarial (loss) / gain	(6,721)	7,083
Deficit on Scheme at 31 July	(25,922)	(21,983)

The gains and losses for the year ended 31 July 2014 were as follows:

	2014	2013	2012	2011	2010
Difference between the expected and actual return on Scheme assets:					
Amount (£000)	549	8,117	(2,578)	5,026	8,384
Percentage of Scheme assets	0.4%	6.5%	(2.3)%	4.7%	8.9%
Experience gains and (losses) on Scheme liabilities:					
Amount (£000)	1,997	1,672	(752)	4,538	(234)
Percentage of the present value of Scheme liabilities	1.3%	1.1%	(0.5)%	3.7%	(0.2)%
Total amount recognised in the statement of total recognised (losses) and gains:					
Amount (£000)	(6,721)	7,083	(8,444)	11,865	(10,208)
Percentage of the present value of Scheme liabilities	(4.3)%	4.8%	(6.0)%	9.3%	(7.9)%

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2014

The University of Leicester Stakeholder Scheme

The University of Leicester Stakeholder Scheme is a defined contribution scheme offered through FriendsLife. 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, and is also made available to casual workers. The Scheme had some 949 members at 31st July 2014.

The University contributes to the Scheme in proportion to that of member contributions. Members of the Scheme can choose to contribute either 3%, 4%, 5% or 6% of their pensionable pay and the University adds 5%, 7%, 9% and 11% respectively.

The University's advisers for the Scheme are Aon Hewitt. The Scheme carries a basic annual management charge of 0.5% which is applied each year to members' funds. Some individual investment funds carry a higher charge including the default investment fund, the Baillie Gifford Managed Fund which carries an additional charge of 0.25%. 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. Aon Hewitt provides assistance to members in the selection of an appropriate annuity and makes no charge to either members or the University for this service.

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

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

NHS Scheme

The University has 105 employees who are members of the NHS Pension Scheme. The University allows continued membership of the Scheme for appropriate employees who are already members of the Scheme, and contributes 14% of pensionable earnings to the Scheme. Employees contribute between 5% and 14.5% of pensionable earnings to the Scheme. The employee's contribution rate is based on how much the members earn in a year.

Other Schemes

The University has a conference centre, College Court, which operates as a separate subsidiary company. College Court provides a defined contribution stakeholder scheme for its staff, offered through FriendsLife. This operates on the same tiered contribution rate approach as the University's stakeholder scheme.

In addition, the University contributed to the Aviva Group Personal Pension Plan for one employee who is subject to a TUPE transfer arrangement.

Five Year Summary Accounts

FOR THE YEAR ENDED 31 JULY 2014

Income and Expenditure Account

	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000
Funding Body Grants	46,674	55,055	65,895	74,840	74,810
Tuition Fees and Education Contracts	137,063	120,910	98,274	89,386	85,245
Research Grants and Contracts	51,619	55,206	49,634	48,732	49,968
Other Income	49,950	49,434	49,218	47,003	45,035
Endowment Income and Interest	1,359	830	841	725	657
Total Income	286,665	281,435	263,862	260,686	255,715
Expenditure					
Staff Costs	162,464	152,826	148,439	142,466	137,449
Other Operating Expenses	98,504	106,227	97,894	98,068	91,853
Depreciation	15,283	12,476	11,016	8,235	7,360
Interest and Other Finance Costs	2,905	2,922	2,593	2,984	2,896
Total Expenditure	279,156	274,451	259,942	251,753	239,558
Transfer from Endowment Funds	47	213	348	227	17
Surplus for the Year	7,556	7,197	4,268	9,160	16,174

Balance Sheet

Fixed Assets	259,420	254,737	224,660	205,246	174,087
Endowment Asset Investments	12,197	11,776	7,026	6,826	6,042
Net Current (Liabilities)/Assets	(14,186)	(16,003)	(4,259)	(7,055)	9,742
Creditors: Amounts Due After One Year	(57,586)	(59,368)	(47,983)	(30,686)	(32,482)
Provisions for Liabilities and Charges	(1,276)	(409)	(493)	(588)	(376)
Pension Liability	(25,922)	(21,983)	(29,922)	(21,944)	(34,356)
Total Net Assets	172,647	168,750	149,029	151,799	122,657
Represented By:					
Deferred Capital Grants	104,056	101,415	101,025	99,819	92,486
Endowments	12,197	11,776	7,026	6,826	6,042
General Reserve	82,316	77,542	70,900	67,098	58,485
Pension Reserve	(25,922)	(21,983)	(29,922)	(21,944)	(34,356)
Total Funds	172,647	168,750	149,029	151,799	122,657

Financial Statistics

FOR THE YEAR ENDED 31 JULY 2014

Sources of Income

% of Total Income	2013/14	2012/13	2011/12	2010/11	2009/10
Grants from Funding Bodies (HEFCE and TDA)	16.3%	19.5%	25.1%	28.8%	29.3%
Tuition Fees and Education Contracts	47.8%	43.0%	37.2%	34.4%	33.3%
Research Grants and Contracts	18.0%	19.6%	18.8%	18.4%	19.5%
Residences, Catering and Conferences	9.0%	8.7%	9.1%	8.4%	8.0%
Other Income	8.9%	9.2%	9.8%	10.0%	9.9%
Total Income	100.0%	100.0%	100.0%	100.0%	100.0%

Analysis of Expenditure

% of Total Expenditure	2013/14	2012/13	2011/12	2010/11	2009/10
Staff Costs	58.2%	55.7%	57.1%	56.6%	57.4%
Other Operating Expenses	35.2%	38.7%	37.7%	38.9%	38.3%
Depreciation	5.5%	4.5%	4.2%	3.3%	3.1%
Interest Payable	1.1%	1.1%	1.0%	1.2%	1.2%
Total Expenditure	100.0%	100.0%	100.0%	100.0%	100.0%
Surplus for the Year as a % of Total Income	2.6%	2.6%	1.6%	3.5%	6.3%

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>	108	103	100	97	89
Days Ratio of Net Current (Liabilities)/Assets to Total Expenditure <i>Number of days an institution could meet expenditure from net assets</i>	(19)	(21)	(6)	(10)	15
% Ratio of Long-Term Liabilities to Total General Funds <i>Measures the extent to which an institution is funded by long-term debt</i>	70	77	68	46	56

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>	41	49	54	57	74
Ratio of Current Assets to Current Liabilities <i>Extent to which current liabilities could be met from current assets</i>	0.8	0.8	0.9	0.9	1.2
Debtor Days <i>Days of total income (excluding Funding Council income) represented by debtors</i>	45	45	49	51	50



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