



BISHOP
GROSSETESTE
UNIVERSITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 JULY 2013

CUSTODIAN TRUSTEE:	The Lincoln Diocesan Trust and Board of Finance Limited.
CONSTITUTION:	The University is a registered charity (number 527276). It is governed by an instrument and articles of government dated 1 st October 1998 updated October 2012.
COUNCIL AND ADMINISTERING TRUSTEES:	
The Council members who served in the year and up to the date of the signature of the financial statements were:	
	<p>Mr D Babb (Appointed March 2013) ¹</p> <p>Mrs J Babb (Resigned June 2013)</p> <p>Mr H Beeken (Resigned June 2013)</p> <p>Dr K Brown ¹</p> <p>The Very Reverend P Buckler ²</p> <p>Mr J Caress (Appointed August 2013)</p> <p>Mr D Clements ^{2, 3}</p> <p>Mr R Corn ⁴</p> <p>Mrs S Grattrick (Appointed October 2012) ⁴</p> <p>Dr T Hill ^{3, 5}</p> <p>Right Reverend Christopher Lowson, The Bishop of Lincoln</p> <p>Mrs J McDonald (Resigned March 2013)</p> <p>Mr G Meeson ⁴</p> <p>Mrs Haf Merrifield</p> <p>Mr Roger Mosey (Chair) (Appointed August 2013) ^{3, 4, 5}</p> <p>Reverend Sally Myers (Appointed March 2013) ²</p> <p>Reverend Professor Peter Neil (Appointed April 2013) ^{1, 4, 5}</p> <p>Mrs J Phull ⁴</p> <p>Professor M A Robinson (Resigned April 2013)</p> <p>Mr J Rowland (Resigned June 2013)</p> <p>Mr D N Smith (Appointed October 2013) ²</p> <p>Mrs B Starling ²</p> <p>Mrs P Taylor (Resigned June 2013)</p> <p>Professor M Thompson ^{1, 3}</p> <p>Mr R Thorpe (Resigned June 2013)</p> <p>Mr J Turner</p> <p>Mrs L Wood ¹</p>
VICE CHANCELLOR:	Reverend Professor Peter Neil ^{14, 5}
BANKERS:	National Westminster Bank plc
PRINCIPAL SOLICITORS:	Andrew & Co, St Swithin's Court, 1 Flavian Road, Nettleham Road, Lincoln LN2 4GR
EXTERNAL AUDITORS:	Baker Tilly Audit Limited, The Poynt, 45 Wollaton Street, Nottingham, NG1 5FW
INTERNAL AUDITORS:	UNIAC, Armstrong House, Oxford Road, Manchester, M1 7ED

Key to membership of committees:

1. Finance, Employment & General Purposes Committee
2. Audit Committee
3. Remuneration Committee
4. Governance & Nominations Committee
5. Selection Committee

Vice Chancellor's Report

Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary, BG (Lincoln) Limited. BG (Lincoln) Limited undertakes conference and catering services using the University's facilities and Gift Aids the whole of any taxable profits to the University.

Results for the Year

The University Consolidated Income, Expenditure and Results for the year to 31 July 2013 are summarised as follows:-

	<u>2012/13</u>	<u>2011/12</u>
	£000	£000
Income	17,606	15,993
Expenditure	(15,203)	(13,478)
	=====	=====
Surplus after Depreciation of Assets at Valuation and Before Tax	2,403	2,515
	=====	=====
Surplus after Depreciation of Assets at Valuation, Disposal of Assets and Tax	2,485	2,515
	=====	=====
Surplus for the Year on an Historical Cost Basis	2,793	2,559
	=====	=====

The University's total income increased by 10% compared with the previous year.

Registrations, reported to the HEFCE as at 1 December 2012, were 2,025 full-time, and 264 part-time students (2011 = 1,871 full-time and 363 part-time).

The retained historical cost surplus for the year was £2,793,000. As a percentage of income this equated to 15.9% which is a performance that exceeded the budget set for the year. Total recognised gains since the last financial statements were £3,289,000. The University's net asset level is regarded as satisfactory.

Financial Objectives and Strategy

The Financial Strategy is concerned with financing the University's corporate objectives by providing a sound and prudent financial planning and management framework. Within this strategy, a number of main objectives have been identified which are to:

- Maintain the financial health of the University and ensure its long-term viability;
- Generate satisfactory surpluses to maintain productive capacity to meet current objectives on infrastructure capital and revenue expenditure to ensure the sustainability of the University's business;
- Manage and mitigate financial risk, identify opportunities, and ensure value for money in the University's operations; and
- Generate sufficient surpluses to support corporate strategic initiatives:

A series of performance indicators have been agreed to monitor the success of these objectives.

Vice Chancellor's Report (continued)

Performance Indicators

In order to set and effectively monitor the financial objectives, the University will concentrate on a set of financial ratios and performance. The University will specifically concentrate on the following key performance indicators:

- Historical cost surplus/(deficit) after tax in £000s and as % of total income;
- Net liquidity/days ratio of net liquid assets to total expenditure (current assets: cash at bank and in hand plus investments - minus creditors: amounts falling due within one year: bank overdrafts)/(total expenditure) x 365 days;
- Borrowing as a percentage of income;
- Staff costs as a % of total income.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the University that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Disability Statement

The University is committed to developing an environment that is inclusive, fair, open and welcoming of individuals from diverse groups. Diversity and equality are recognised, encouraged, promoted and valued at all levels of the University and in all its functions.

Recent years have seen significant alterations to help make the campus buildings more accessible for disabled students and visitors. Improvements are on-going to further improve physical access and providing additional technologies for dyslexic and visually impaired and deaf students are planned. The University will ensure that every effort is made to meet individuals support needs.

Corporate Governance

In recent years the financial statements have included a statement confirming the University's arrangements for its governance: this year's statement appears on pages 4 to 5. The work which has been undertaken under the Corporate Governance heading in 2012/13 is given in the detailed statement on pages 6 to 8 and reflects a risk based approach to determining the control systems. The University believes that the risk process is embedded and that a full compliance statement is in order for 2012/13.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

Future Developments

During the course of the academic year 2012/13 a number of major developments have come to fruition. Following the Government policy change which has lowered the threshold for University title from 4000 to 1000 students, BG applied to the Privy Council to change its name to Bishop Grosseteste University. An extensive consultation on the name change indicated support without reservation from interested parties and BG met the governance and quality requirements for university status. The decision and awarding of this new title was confirmed in December 2012 and provided due recognition of the work undertaken by staff past and present in achieving this. The other major change during the year was the retirement of Professor Muriel Robinson in April 2013 after 9 successful years at BG. A new Vice Chancellor, Reverend Professor Peter Neil was appointed and joined the University in May 2013.

Vice Chancellor's Report (continued)

BG's portfolio of combined degree programmes within the School of Culture, Education and Innovation are recruiting very close to target for 2013. In the School of Teacher Development staff restructuring is complete and a number of new senior staff are in post to support BG's enhanced partnership working with local schools through innovative approaches to delivering high quality teacher education.

Major capital works have continued on BG's estate during 2012/13. Most significant is the re-development of our on-site student accommodation with new and refurbished halls of residence offering self-catering accommodation for the first time from September 2013. Moving away from a catered residential offer will have a significant impact on BG's traded services and commercial activity of this nature has been transferred in to the University's trading subsidiary BG (Lincoln) Limited to ensure strong governance arrangements remain in place as this activity grows.

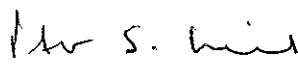
Conclusion

The University continues to live within its income and has maintained strong financial reserves despite major capital investment. This is a position designed to allow the University to respond flexibly to a rapidly changing environment and to continue to invest appropriately in the University's infrastructure.

The University continues to receive due recognition for the quality of its work which will be the key factor in securing its future, growth and development.

The importance of effective and efficient management of resources is understood across the University and the delegation of an increased number of budgets has added to the awareness at middle and junior levels of the need to be accountable and prudent in the use of resources.

The University is undertaking a strategic review of its activities in order to assess the future direction of the institution and provide a successful learning experience and environment for future generations.



Vice Chancellor

20th November 2013

Institutional governance statement

Introduction

The University is committed to exhibiting best practice in all aspects of corporate governance. This section summarises and explains the arrangements for the governance of the University that applied during the financial year. These arrangements are set out in the University's Instrument and Articles of Government; the terms of reference of committees of the University Council; the University's financial regulations; and such resolutions as the University Council may from time to time adopt. The University's governance arrangements are consistent with good practice and Committee of University Chairs (CUC) code of practice.

Roles and responsibilities

The Articles of Government set out the respective powers and responsibilities of the University Council and the Vice Chancellor. Broadly speaking, the University Council is generally responsible for overseeing the running of the University and specifically for the effective, efficient and economic use of resources, the approval of annual budgets and senior appointments. The Vice Chancellor is responsible for the organisation, direction and management of the University and for making recommendations to the University Council on the matters for which it is responsible.

The Articles empower the University Council to delegate certain of its functions to committees of the University Council or to the Vice Chancellor. The University Council may not delegate responsibility for:

- determining the educational character and mission of the University;
- approving the annual budgets;
- ensuring the solvency of the institution and for safeguarding its assets;
- the appointment or dismissal of the Vice Chancellor;
- varying or revoking the Articles of Government.

The responsibilities of the University Council are considered in more detail in the statement presented on pages 6 to 8.

University Council: constitution

The University Council of the University has 23 members:

- the Bishop of Lincoln;
- the University Vice Chancellor;
- one Deputy Vice Chancellor of the University;
- three persons appointed by the Diocesan Council of Lincoln;
- one member appointed by a higher education institution;
- one elected member of the University Teaching staff;
- one elected member of the University Non-Teaching staff;
- one elected student of the University
- the President of the Students' Union; and
- twelve members co-opted by the University Council.

Council members are appointed for a term of four years except for the following; The Deputy Vice Chancellor of the University whose term will be for the duration of their employment; the President of the Students' Union whose term is tied to his or her term of office; the elected student of the University whose term is four years or the duration of his or her programme of study, whichever is the shorter; the Bishop of Lincoln who shall hold office throughout his tenure of the See; and the Vice Chancellor who shall hold office as Council member so long as he or she is the Vice Chancellor and has chosen to be a Council member. The Chair's term of office is an appointed position for three years with a possible renewal period of three years.

Institutional governance statement (continued)

The Clerk to the University Council maintains a register of financial and personal interests of the University Council. The register is available for inspection at the University address.

The University Council and its committees meet as follows:

- University Council – four times per year;
- Finance, Employment and General Purposes Committee – at least three times per year;
- Audit Committee – four times per year;
- Nominations and Governance Committee – normally three times per year;
- Remuneration Committee – at least once per year; and
- Selection Committee – as and when required.

Recognising that decisions may sometimes be required at times when it is not possible or expedient for the University Council as a whole to meet, the University Council has resolved that decisions may be taken on its behalf by two of the following:

- the Chair of the University Council;
- the Vice-Chair of the University Council;
- the Vice Chancellor.

Similarly, decisions may be taken on behalf of committees by the Chair of the relevant committee with two of the three people listed above.

The University Council has delegated certain of its functions to committees. The University Council determines the membership of its committees, which then elect their own Chair. The scope of the committees' responsibilities is summarised below:

- the Finance, Employment and General Purposes Committee deals with such employment, financial and administrative matters as the University Council may remit to it;
- the Audit Committee is responsible for monitoring the performance and effectiveness of internal and external audit, reviewing the effectiveness of the internal control system and a range of other matters relating to financial efficiency, effectiveness and propriety;
- the Nominations Committee advises the University Council about the appointment of independent members to the University Council and the membership of committees of the University Council, other than the Nominations Committee itself;
- the Remuneration Committee advises the University Council about the remuneration and terms and conditions of employment of senior staff, including the Vice Chancellor; and
- the Selection Committee manages the appointment process for senior posts and advises the Council members about such appointments.

The University Senate is a committee of the staff of the University whose composition and functions are defined in the Articles of Government. Its purpose is to make recommendations to the Vice Chancellor or the University Council, as appropriate, about the content of the University curriculum, academic standards and a range of related matters.

Statement of the University Council's responsibilities

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

The University Council is responsible for keeping proper accounting records which disclose with appropriate accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the University Council of Bishop Grosseteste University, the University Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the University Council has ensured 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The University Council is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Council has taken reasonable steps to:

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

Statement of the University Council's responsibilities (continued)

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

- clear definitions of the responsibilities of, and the authority delegated to, Heads of Academic and Administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and termly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the University Council;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Council and whose head provides the University Council with a 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 financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Statement of internal control

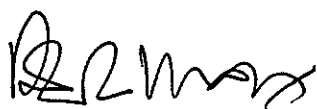
1. As the University Council of Bishop Grosseteste University, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the University Council in the instrument and articles and the Financial Memorandum with the NCTL and the HEFCE.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements and accords with HEFCE guidance.

**Statement of the University Council's responsibilities
(continued)**

4. As the University Council, we have responsibility for reviewing effectiveness of the system of internal control. The following processes have been established:
- a. Regular meetings (at least termly) are held to consider the plans and strategic direction of the University.
 - b. Regular reports are received from the Chair of the Audit Committee concerning internal control, and we require regular reports from the Vice Chancellor on the steps being taken to manage risks, including progress reports on key projects.
 - c. We have requested the Audit Committee to oversee risk management.
 - d. The Audit Committee receives regular reports from the Head of Internal Audit, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with recommendations for improvement.
 - e. A regular agenda item for the Senior Leadership Team to identify and keep up to date the record of risks facing the organisation.
 - f. A programme of risk awareness training is under way through Staff Council and off-campus staff development days.
 - g. A robust risk prioritisation methodology based on risk ranking has been established.
 - h. Reports are received from senior staff on internal control activities.
5. Our review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in December 2009. The internal auditors submit regular reports which include the head of internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control, with recommendations for improvement.
6. Our review of the effectiveness of the system of internal control is also informed by the work of the Senior Leadership Team within the Institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Disclosure of information to auditors

The Council members who held office at the date of approval of this report confirm that so far as they are each aware there is no relevant audit information of which the University's auditors are unaware; and each Council member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.



CHAIR

20th November 2013

**Report of the independent auditors' to the University Council of
Bishop Grosseteste University**

We have audited the Group and University financial statements ("the financial statements") set out on pages 10 to 40. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in our engagement letter.

This report is made solely to the University Council, as a body, in accordance with paragraph 124B of the Education Reform Act 1988 and our engagement letter. Our audit work has been undertaken so that we might state to the University Council, as a body, those matters we are required under our engagement letter to state to them 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 University Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University Council of Bishop Grosseteste University and Auditor

As explained more fully in the Statement of the University Council's Responsibilities set out on pages 7 to 8, the University Council is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with the terms of our engagement letter, Audit Code of Practice issued by the Learning and Skills Council and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and the University's affairs as at 31 July 2013 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- In all material respects income from HEFCE and NCTL grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- In all material respects income has been applied in accordance with the University's Articles of Government and, where appropriate, with the Financial Memorandum with HEFCE, and with the Funding Agreement with the NCTL covering 1 August 2012 to 31 July 2013.

Baker Tilly Audit Limited

Baker Tilly Audit Limited

Registered Auditor

Nottingham

Date

29/11/13

Statement of principal accounting policies**1. Statement of accounting policies**

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

2. Basis of preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with United Kingdom Generally Accepted Accounting Practice. They conform to guidance published by HEFCE and the NCTL.

3. Basis of accounting

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

4. Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking, BG (Lincoln) Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the University does not control those activities. All financial statements are made up to 31st July 2013.

5. Recognition of income

Grant:

The recurrent grants from the HEFCE and the NCTL represent the funding allocations attributable to the current financial year and credited directly to the income and expenditure account. Recurrent grants are recognised in line with planned activity. Any under-achievement against this planned activity is adjusted at the year end and reflected in the level of recurrent grant recognised in the income and expenditure account.

Non-recurrent grants from the HEFCE and the NCTL received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Other income:

Income from academic fees, other operating income, short-term deposits and interest is credited to the income and expenditure account in the period in which it is earned.

6. Maintenance of premises

The University has produced a long-term maintenance plan. The plan includes all recurring work, the number of years necessary to complete a full maintenance cycle, and the likely annual cost. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account as incurred.

Statement of principal accounting policies (continued)**7. Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling 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.

8. Pension schemes

Retirement benefits for most employees of the University are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are independently administered schemes, funded by contributions from the University and the employees and are contracted out of the State Earnings-Related Pension Scheme. Contributions to the TPS are charged to the income and expenditure so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 24, the TPS is a multi employer scheme and the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

9. Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using guidance prepared for the HEFCE by Deloitte & Touche Actuarial & Benefit Services.

10. Tangible fixed assets**a. Land and Buildings**

Land and buildings are stated at cost or, in the case of land and buildings held at 1 August 1993, at a professional valuation. The transitional provisions of FRS 15, 'Tangible Fixed Assets', were being followed. The basis of valuation is open market value for existing use or, where such a valuation is not practicable, depreciated replacement cost. The valuation carried out on 9 June 1995 was performed by Humberts Stapleton, Chartered Surveyors. This valuation has not been updated. Land is held freehold and is not depreciated. Buildings are depreciated over their expected useful lives of 50 years from 1 August 1993 or from the date of acquisition. Subsequent capital improvements to existing buildings are depreciated over the remaining useful life of the building to which the expenditure relates.

Statement of principal accounting policies (continued)**b. Equipment**

All equipment costing more than £1,000 and having an expected life of more than one year is capitalised. Equipment, including motor vehicles, is stated at cost and depreciated over its expected useful life of 5 years.

c. Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;
- Significant extension of the assets life beyond that conferred by repairs and maintenance.

11. Stocks

The stocks are catering provisions and shop items. Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

12. Taxation

The University is considered to pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010 and therefore it meets the definitions of a charity for UK corporation tax purposes. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 Corporation Tax Act 2010 or the Taxation of Chargeable Gains Act 1992 to the extent that such income is applied to exclusively charitable purposes.

The University receives no similar exemption in respect of value added tax (VAT). 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 company, BG (Lincoln) Ltd, is subject to corporation tax and VAT in the same way as any commercial organisation.

13. 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 investments, however liquid, are included in cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits held as part of the University's treasury management activities.

14. 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.

Consolidated Income and Expenditure Account

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
INCOME			
Funding council grants	1	4,425	7,597
Tuition fees and education contracts	2	10,505	6,239
Research grants and contracts	3	88	-
Other income	4	2,512	2,070
Investment income	5	76	87
Total Income		<u>17,606</u>	<u>15,993</u>
EXPENDITURE			
Staff costs	6	8,416	7,774
Other operating expenses	7	5,817	4,806
Depreciation	11	918	898
Interest payable	8	52	-
Total expenditure	9	<u>15,203</u>	<u>13,478</u>
Surplus on continuing operations after depreciation of assets at valuation and before tax		2,403	2,515
Profit on disposal of assets		82	-
Taxation		<u>-</u>	<u>-</u>
Surplus on continuing operations after depreciation of assets at valuation and tax	10	<u>2,485</u>	<u>2,515</u>

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Surplus on continuing operations before taxation		2,485	2,515
Realisation of property revaluation gains of previous years	17	263	-
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	<u>45</u>	<u>44</u>
Historical cost surplus for the year before taxation		<u>2,793</u>	<u>2,559</u>
Historical cost surplus for the year after taxation		<u>2,793</u>	<u>2,559</u>

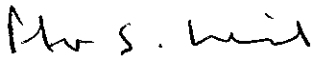
Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 July 2013

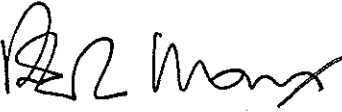
	2013 £000	2012 £000
Surplus after depreciation of assets at valuation and tax	2,485	2,515
Actuarial gain/(loss) in respect of the pension scheme (note 24)	804	(1,565)
Total recognised gain relating to the year	<u>3,289</u>	<u>950</u>
Reconciliation of reserves		
Opening reserves	18,157	17,207
Total recognised gain relating to the year	3,289	950
Closing reserves	<u>21,446</u>	<u>18,157</u>

Balance sheets as at 31 July 2013

	Notes	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
Fixed Assets					
Tangible assets	11	<u>19,036</u>	<u>19,036</u>	<u>14,801</u>	<u>14,801</u>
Current Assets					
Stock		3	-	13	10
Debtors	13	494	549	322	496
Short-term deposits		6,215	6,215	9,144	9,144
Cash at bank and in hand		<u>3,905</u>	<u>3,814</u>	<u>2,502</u>	<u>2,327</u>
Total Current Assets		<u>10,617</u>	<u>10,578</u>	<u>11,981</u>	<u>11,977</u>
Less: Creditors - amounts falling due within one year	14	<u>(1,974)</u>	<u>(1,935)</u>	<u>(1,601)</u>	<u>(1,597)</u>
Net Current Assets		<u>8,643</u>	<u>8,643</u>	<u>10,380</u>	<u>10,380</u>
Total assets less current liabilities excluding pension liability		27,679	27,679	25,181	25,181
Net pension liability	25	<u>(2,856)</u>	<u>(2,856)</u>	<u>(3,621)</u>	<u>(3,621)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>24,823</u>	<u>24,823</u>	<u>21,560</u>	<u>21,560</u>
Deferred capital grants	16	<u>3,377</u>	<u>3,377</u>	<u>3,403</u>	<u>3,403</u>
Restricted reserves	18	<u>844</u>	<u>844</u>	<u>844</u>	<u>844</u>
Income and expenditure account excluding pension reserve	19	21,457	21,457	18,625	18,625
Pension Reserve	25	<u>(2,856)</u>	<u>(2,856)</u>	<u>(3,621)</u>	<u>(3,621)</u>
Income and expenditure account including pension reserve	19	<u>18,601</u>	<u>18,601</u>	<u>15,004</u>	<u>15,004</u>
Revaluation reserve	17	<u>2,001</u>	<u>2,001</u>	<u>2,309</u>	<u>2,309</u>
TOTAL		<u>24,823</u>	<u>24,823</u>	<u>21,560</u>	<u>21,560</u>

The financial statements on pages 13 to 40 were approved by the University Council on 20 November 2013 and were signed on its behalf by:


 Vice Chancellor
 Bishop Grosseteste University


 Chair of University Council


 Director of Resources

Consolidated Cash Flow Statement**For the year ended 31 July 2013**

	Notes	2013 £000	2012 £000
Cash inflow from operating activities	20	3,210	3,275
Returns on investments and servicing of finance	21	24	87
Capital expenditure and financial investment	22	(4,760)	(3,582)
Management of liquid resources	23	2,929	-
Increase/(Decrease) in cash	23	<u>1,403</u>	<u>(220)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash		1,403	(220)
Movement in short term deposits		<u>(2,929)</u>	<u>-</u>
Movement in net funds in year		(1,526)	(220)
Net funds at 1 August		<u>11,646</u>	<u>11,866</u>
Net funds at 31 July	23	<u>10,120</u>	<u>11,646</u>

In this Statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the University.

Notes to the financial statements

1. Funding council grants

	2013			2012
	HEFCE £000	NCTL £000	TOTAL £000	£000
Recurrent Grant	2,824	1,048	3,872	7,044
Specific Grants				
HEFCE Inherited Liabilities - Staff	14	-	14	14
HEFCE Other	2	-	2	2
NCTL Graduate Teacher Programme	-	241	241	204
NCTL Other	-	5	5	15
Deferred Capital Grants Released in Year				
Buildings (Note 16)	53	-	53	59
Equipment grant (Note 16)	236	2	238	259
	<u>3,129</u>	<u>1,296</u>	<u>4,425</u>	<u>7,597</u>

2. Tuition fees and education contracts

	2013 £000	2012 £000
UK Higher Education Students	10,505	6,239
Education contracts	<u>-</u>	<u>-</u>
	<u>10,505</u>	<u>6,239</u>

3. Research grants and contracts

	2013 £000	2012 £000
Other grants and contracts	<u>88</u>	<u>-</u>

Notes to the financial statements (continued)

4. Other income

	2013 £000	2012 £000
Residences, catering and conferences	1,533	1,040
Non-Funding Council Capital Grants Released (Note 16)	46	28
Other Income	933	1,002
	<u>2,512</u>	<u>2,070</u>

5. Investment income

	2013 £000	2012 £000
Investment income from short-term deposits	71	81
Other interest receivable	5	5
Interest on FRS 17 Liability (Note 24)	-	1
	<u>76</u>	<u>87</u>

Notes to the financial statements (continued)

6. Staff

The average number of persons (including senior post-holders) employed by the University during the year, described as full-time equivalents, was:

	2013 Number	2012 Number
Academic	72	71
Management and Administrative	98	89
Other	46	46
	<u>216</u>	<u>206</u>

Staff costs for the above persons:

	2013 £000	2012 £000
Wages and salaries	6,892	6,400
Social security costs	512	484
Other pension costs - FRS 17 adjustment	-	(43)
Other pension costs (Note 24)	1,012	933
	<u>8,416</u>	<u>7,774</u>

The above costs include amounts payable to the Vice Chancellor (who is the highest paid senior post holder) of:

	2013 £	2012 £
Salary	139,185	122,283
Benefits in kind	<u>5,573</u>	<u>5,302</u>
	<u>144,758</u>	<u>127,585</u>
Pension contributions	<u>14,248</u>	<u>17,242</u>

The pension contributions in respect of the Vice Chancellor are in respect of employer's contributions to the Teachers' Superannuation Scheme and are paid at the same rate as for other employees.

No member of staff other than the Vice Chancellor received remuneration of more than £100,000 (excluding employer's pension contributions).

Notes to the financial statements (continued)

7. Other operating expenses

	2013 £000	2012 £000
Residences, Catering & Conferences Operating Expenditure	857	509
Residences - Long-Term Maintenance	54	44
Consumables and Laboratory Expenditure	253	238
Books and Periodicals	111	106
Heat, Light, Water and Power	288	269
Repairs and General Maintenance	98	101
Non-Residential - Long-Term Maintenance	482	544
Grants to BG Students' Union	51	2
External Auditors' Remuneration		
Financial Statements Audit	15	15
Bursary Payments to Students	623	799
Other Expenses	<u>2,956</u>	<u>2,162</u>
	<u>5,817</u>	<u>4,806</u>

8. Interest payable

	2013 £000	2012 £000
Interest on FRS 17 Liability (Note 24)	<u>52</u>	<u>-</u>
	<u>52</u>	<u>-</u>

Notes to the financial statements (continued)

9. Analysis of 2012/13 expenditure by activity

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	3,902	-	874	-	4,776
Academic Services	336	-	183	-	519
Residences & Catering	252	-	1,024	-	1,276
Premises	521	-	926	-	1,447
Administration	3,146	-	1,172	-	4,318
Other Expenses	259	918	1,638	52	2,867
	<u>8,416</u>	<u>918</u>	<u>5,817</u>	<u>52</u>	<u>15,203</u>
Totals per Income and Expenditure Account	<u>8,416</u>	<u>918</u>	<u>5,817</u>	<u>52</u>	<u>15,203</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 16)	337
Revaluation Reserve Released (Note 17)	45
General Income	<u>536</u>
	<u>918</u>

10. Surplus on continuing operations for the year

	2013 £000	2012 £000
University's surplus for the year	2,370	2,458
Surplus generated by the subsidiary undertaking and transferred to the University under gift aid	<u>115</u>	<u>57</u>
Total	<u>2,485</u>	<u>2,515</u>

Notes to the financial statements (continued)

11. Tangible fixed assets (Group and University)

	Land £000	Land and Buildings Leasehold £000	Buildings £000	Assets in course of construction £000	Equipment £000	Total £000
Cost or valuation						
At 1 August 2012	927	-	2,937	-	-	3,864
At valuation						
At cost	118	8	12,257	-	4,300	16,683
Additions	-	-	745	4,209	462	5,416
Disposals	-	-	(437)	-	-	(437)
At 31 July 2011						
At valuation	927	-	2,500	-	-	3,427
At cost	118	8	13,002	4,209	4,762	22,099
Depreciation	1,045	8	15,502	4,209	4,762	25,526
At 1 August 2012	-	-	2,519	-	3,227	5,746
Charge for period	-	-	404	-	514	918
Eliminated in respect of disposals	-	-	(174)	-	-	(174)
At 31 July 2013	-	-	2,749	-	3,741	6,490
Net Book Value						
At 31 July 2013	1,045	8	12,753	4,209	1,021	19,036
At 31 July 2012	1,045	8	12,640	35	1,073	14,801

Notes to the financial statements (continued)

Certain buildings have been partially funded from external sources. Should these particular buildings be sold, the University may either have to surrender the proceeds to the external party or use them in accordance with the financial memorandum or agreement made with that particular external party.

12. Investments

The University holds all the issued ordinary share capital of BG (Lincoln) Limited, a trading company registered in England and Wales, the principal activity of which is the organisation of functions and conferences, the taxable profits of which are payable to the University under a deed of covenant. The University's interest in the company at 31 July, 2013, comprised Share Capital of £2 (2012, £2).

13. Debtors - Amounts falling due within the year

	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
Trade debtors	382	322	199	142
Amounts owed by subsidiary undertaking	-	115	-	231
Prepayments and accrued income	112	112	123	123
	<u>494</u>	<u>549</u>	<u>322</u>	<u>496</u>

14. Creditors: Amounts falling due within one year

	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
Payments received in advance	77	60	26	23
Trade creditors	1,545	1,545	1,188	1,188
Other taxation and social security	188	188	190	190
Accruals	29	7	48	47
Amounts owed to funding councils	132	132	142	142
Hardship Funds & Opportunity Bursaries carried forward (Note 29)	3	3	7	7
	<u>1,974</u>	<u>1,935</u>	<u>1,601</u>	<u>1,597</u>

Notes to the financial statements (continued)

15. Enhanced pension provision	Group and University Total £000
At 1 August 2012	408
Utilised in Year	(27)
Revaluation	-
Transfer from income & expenditure account	14
At 31 July 2013	<u>395</u>

The calculation of the cost of early retirement provisions charged to the income and expenditure account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment at 2½% in excess of price inflation. The overall provision was revalued in 2011/12 financial year using guidance prepared for the HEFCE by Deloitte & Touche Actuarial & Benefit Services. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant ex-employee.

The enhanced pension provision relates mostly to early retirements whereby an expectation of the payment existed prior to retirement. As such, the account has been treated as a retirement benefit pension under FRS17 (see Note 25).

Notes to the financial statements (continued)

16. Deferred capital grants

Group and University

	HEFCE £000	NCTL £000	Other £000	Total £000
At 1 August 2012				
Buildings	2,133	-	854	2,987
Equipment	379	37	-	416
Total	2,512	37	854	3,403
Cash Receivable in the Year				
Buildings	-	-	202	202
Equipment	48	-	61	109
Total	48	-	263	311
Released to Income & Expenditure				
Buildings (Note 1 and Note 4)	(53)	-	(34)	(87)
Equipment (Note 1)	(236)	(2)	(12)	(250)
Total (Note 9)	(289)	(2)	(46)	(337)
At 31 July 2013				
Buildings	2,080	-	1,022	3,102
Equipment	191	35	49	275
Total	2,271	35	1,071	3,377

Notes to the financial statements (continued)

17. Revaluation reserve

	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
At 1 August	2,309	2,309	2,353	2,353
Transfer from revaluation reserve to general reserve in respect of:				
Eliminated in respect of disposals	(263)	(263)	-	-
Depreciation on revalued assets	<u>(45)</u>	<u>(45)</u>	<u>(44)</u>	<u>(44)</u>
At 31 July	<u>2,001</u>	<u>2,001</u>	<u>2,309</u>	<u>2,309</u>

18. Restricted reserves

	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
Permanent endowment reserves				
At 1 August 2012 and at 31 July 2013	<u>697</u>	<u>697</u>	<u>697</u>	<u>697</u>
Other restricted reserves				
At 1 August 2012 and at 31 July 2013	<u>147</u>	<u>147</u>	<u>147</u>	<u>147</u>
Total restricted reserves at 31 July	<u>844</u>	<u>844</u>	<u>844</u>	<u>844</u>

Other restricted reserves

During 2006 the University, sold a property with proceeds of £147,000. The proceeds from the sale are to be reinvested within 3 years from the sale date. The funds were used to assist with the building of a new administration office at the University.

Permanent endowment reserves

Permanent endowment reserves are made up from the sale of two properties previously owned by the University. As required by the Charity Commission, the University Council obtained and considered proper advice before investing this money. To date £332,000 has been used to purchase an additional residential building and the remaining funds are currently held in an interest bearing account.

Notes to the financial statements (continued)

19. Income and expenditure account

	Group 2013 £000	University 2013 £000	Group 2012 £000	University 2012 £000
At 1 August	15,004	15,004	14,010	14,010
Surplus on continuing operations	2,485	2,485	2,515	2,515
Transfer to Other restricted reserves	-	-	-	-
Transfer from Revaluation Reserve	308	308	44	44
Actuarial gain/(loss) in respect of pension	804	804	(1,565)	(1,565)
At 31 July	<u>18,601</u>	<u>18,601</u>	<u>15,004</u>	<u>15,004</u>
Balance represented by:				
Pension reserve (Note 25)	(2,856)	(2,856)	(3,621)	(3,621)
Income and expenditure account reserve excluding pension reserve	<u>21,457</u>	<u>21,457</u>	<u>18,625</u>	<u>18,625</u>
At 31 July	<u>18,601</u>	<u>18,601</u>	<u>15,004</u>	<u>15,004</u>

Notes to the financial statements (continued)

20. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets	2,485	2,515
Depreciation (Note 11)	918	898
Deferred capital grants released to income (Note 16)	(337)	(346)
Profit on disposal of fixed assets	(82)	-
Interest Paid (Note 8)	52	-
Pension cost less contributions payable	52	(44)
Decrease in Stocks	10	7
(Increase)/Decrease in Debtors	(172)	100
Increase in Creditors	373	183
(Decrease)/Increase in provisions	(13)	49
Interest received (Note 5)	(76)	(87)
Net Cash Inflow from Operating Activities	3,210	3,275

21. Returns on investments and servicing of finance

	2013 £000	2012 £000
Investment interest received (Note 5)	76	87
Interest paid (Note 8)	(52)	-
	24	87

22. Capital expenditure and financial investment

	2013 £000	2012 £000
Proceeds from sale of tangible fixed assets	345	-
Purchase of tangible fixed assets (Note 11)	(5,416)	(3,955)
Deferred capital grants received (Note 16)	311	373
Net cash outflow from capital expenditure and financial investment	(4,760)	(3,582)

Notes to the financial statements (continued)

23. Analysis of changes in net funds

	At 2012 £000	Cash Flows £000	At 2013 £000
Cash in hand and at bank	2,502	1,403	3,905
Short-term deposits	<u>9,144</u>	<u>(2,929)</u>	<u>6,215</u>
	<u>11,646</u>	<u>(1,526)</u>	<u>10,120</u>

24. Pension and similar obligations

The University's employees belong to three principal pension schemes, the Church of England Funded Pensions Scheme, the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). All three are defined benefit schemes.

Total pension cost for the year

The pension contributions for the year was £1,012,000 (2012: £933,000) excluding the FRS 17 adjustment.

	2013 £000	2012 £000
Teachers' Pension Scheme: contributions payable	422	414
Local Government Pension Scheme: Charge to the Income and Expenditure Account	586	513
Church of England Funded Pensions Scheme: contributions payable	4	6
Total Pension Cost for Year (excluding the FRS 17 adjustment)	<u>1,012</u>	<u>933</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and the LGPS was 31 March 2010.

Contributions amounting to £115,000 (2012 £110,000) were payable to the schemes at 31st July and are included within creditors.

Notes to the financial statements (continued)**Church of England Funded Pensions Scheme:**

The University participates in the Church of England Funded Pensions Scheme and employs 1 member of the scheme out of a total membership of approximately 9,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the University is unable to identify its share of the underlying assets and liabilities of the scheme. Each employer in that scheme pays a common contribution rate. The latest valuation of the scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- RPI inflation of 3.8% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the University to account for pension costs on the basis of contributions actually payable to the scheme in the year. The contribution rate was 45% of pensionable stipends with effect from 1st January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011. The next valuation of the Scheme will be due as at 31 December 2012.

Teachers' Pension Scheme (TPS):**Teachers' Pension Scheme**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teacher and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases) from 1 April 2001, the

Notes to the financial statements (continued)

Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rates ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigate, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004 the GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75% and the supplementary contribution rates was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate will change between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this proves will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

<http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf>

The pension costs paid to TPS in the year amounted to £422,000 (2012: £414,000)

Notes to the financial statements (continued)**24. Pension and similar obligations (continued)****FRS 17**

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme (LGPS):

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2013 was £753,000, of which employer's contributions totalled £586,000 and employees' contributions totalled £167,000. The agreed contribution rates are 20.6% for employers and between 5.5% and 7.5% depending upon salary for employees.

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued): FRS17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2010 updated to 31 July 2013 by a qualified independent actuary

	At 31-Jul-13	At 31-Jul-12
Rate of increase for pensions/Inflation	2.80%	2.20%
Rate of increase in salaries	5.10%	4.50%
Expected return on assets	5.90%	5.00%
Discount rate for liabilities	4.60%	4.10%

The University share of the assets and liabilities in the scheme and the expected rates of return were:

	Long term rate of return expected at 31-Jul-13 %	Long term rate of return expected at 31-Jul-12 %
Equities	6.4	5.5
Bonds	4.2	3.7
Property	4.6	3.7
Cash	3.4	2.8

	Year ended 31-Jul-13 £000	Year ended 31-Jul-12 £000
Equities	8,294	6,361
Bonds	1,276	1,203
Property	1,063	1,031
Cash	-	-
Total market value of assets	10,633	8,595

Notes to the financial statements (continued)

24. Pension and similar obligations (continued): Local Government Pension Scheme (LGPS) (continued):

	Year ended 31-Jul-13	Year ended 31-Jul-12
	£000	£000
University's estimated asset share	10,633	8,595
Present value of liabilities	(13,094)	(11,808)
Net pension liability	(2,461)	(3,213)

Analysis of the amount charged to income and expenditure account

	Year ended 31-Jul-13	Year ended 31-Jul-12
	£000	£000
Service cost (net of employee contributions)	586	460
Past service cost	-	-
Losses on curtailments of settlements	-	10
Total operating charge	586	470

Analysis of pension finance income / costs

	Year ended 31-Jul-13	Year ended 31-Jul-12
	£000	£000
Expected return on pension scheme assets	442	523
Interest on pension liabilities	(494)	(522)
Pension finance income / costs	(52)	1

Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended 31-Jul-13	Year ended 31-Jul-12
	£000	£000
Actuarial (losses)/gains on pension scheme assets	1,112	(308)
Actuarial (losses)/gains on scheme liabilities	(308)	(1,257)
Actuarial (loss)/gain recognised in the STRGL	804	(1,565)

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued):

	Year ended 31-Jul-13 £000	Year ended 31-Jul-12 £000
Asset and Liability Reconciliation		
Liabilities at start of period	11,808	9,667
Service cost	586	460
Interest cost	494	522
Employee contributions	167	152
Actuarial loss	308	1,257
Past service gains	-	-
Losses/(Gains) on Curtailments	-	10
Benefits paid	(269)	(260)
Liabilities at end of period	13,094	11,808
Assets at start of period	8,595	7,975
Expected return on assets	442	523
Actuarial loss/(gain)	1,112	(308)
Employer contributions	586	513
Employee contributions	167	152
Benefits paid	(269)	(260)
Assets at end of period	10,633	8,595

Notes to the financial statements (continued)

24. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued):

	Year ended 31-Jul-13 £000	Year ended 31-Jul-12 £000
Movement in deficit during the year		
Deficit in scheme at 1 August	(3,213)	(1,692)
Movement in year:		
Current service charge (net of employee contributions)	(586)	(460)
Contributions (employer)	586	513
Past service costs	-	-
Losses on Curtailments	-	(10)
Net (interest)/return on asset	(52)	1
Actuarial gain/(loss)	804	(1,565)
Deficit in scheme at 31 July	<u>(2,461)</u>	<u>(3,213)</u>

The estimated value of employer contributions for the year ended 31st July 2013 is £529,000

History of Experience Gains and Losses	2013	2012
Difference between the expected and actual return on assets:		
Amount (£000)	1,112	(308)
Percentage of scheme assets	10.5%	-3.6%
Experience gains and losses on scheme liabilities:		
Amount (£000)	0	(110)
Percentage of scheme liabilities	0.0%	-0.9%
Total amounts recognised in STRGL		
Amount (£000)	804	(1,565)
Percentage of scheme liabilities	6.1%	-13.3%

History of Experience Gains and Losses	2011	2010	2009
Difference between the expected and actual return on assets:			
Amount (£000)	691	441	(870)
Percentage of scheme assets	8.7%	6.9%	-17.0%
Experience gains and losses on scheme liabilities:			
Amount (£000)	(315)	0	1
Percentage of scheme liabilities	-3.3%	0.0%	0.0%
Total amounts recognised in STRGL			
Amount (£000)	925	331	(1,756)
Percentage of scheme liabilities	9.6%	3.7%	-22.0%

Notes to the financial statements (continued)

25. Pension liability

Group and University

	2013 £000	2012 £000
LGPS liability (Note 24)	2,461	3,213
Enhanced pension provision (Note 15)	<u>395</u>	<u>408</u>
	<u><u>2,856</u></u>	<u><u>3,621</u></u>

26. Capital commitments

Group and University

	2013 £000	2012 £000
Land and Buildings	1,445	660
Equipment	<u>496</u>	<u>30</u>
Commitments contracted for at 31 July	<u><u>1,941</u></u>	<u><u>690</u></u>

27. Financial commitments

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

Group and University

	2013 £000	2012 £000
Equipment		
Expiring between two and five years inclusive	<u>106</u>	<u>9</u>
	<u><u>106</u></u>	<u><u>9</u></u>

28. Related Party Transactions

Due to the nature of the University's operations and the composition of the University Council (being drawn from public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the University Council may have an interest. All transactions involving organisations in which a member of the University Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 - Related Party Disclosures.

In the opinion of the University Council there is no controlling party.

Notes to the financial statements (continued)

29. Hardship funds & opportunity bursaries

Group and University

	2013 £000	2012 £000
Balance brought forward	7	7
Funding Council grants	73	70
	<u>80</u>	<u>77</u>
Disbursed to Students	(77)	(70)
	<u>(77)</u>	<u>(70)</u>
Balance unspent at 31 July, included in creditors	<u>3</u>	<u>7</u>

Funding Council grants are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

30. Training bursaries

Group and University

	2013 £000	2012 £000
NCTL Grants	1,313	296
Disbursed to Students	(1,335)	(338)
Administration	-	(6)
	<u>-</u>	<u>(6)</u>
Balance (owed)/unspent at 31 July, included in creditors	<u>(22)</u>	<u>(48)</u>

NCTL grants are available solely for students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the financial statements (continued)

31. Minority ethnic funding

Group and University

	2013 £000	2012 £000
NCTL Grants	-	-
Utilised in Year	-	-
Balance unspent at 31 July, included in creditors	-	-

32. Student associate scheme

Group and University

	2013 £000	2012 £000
NCTL Grants carried forwards	41	41
Utilised in Year	-	-
Balance unspent at 31 July	41	41

33. Aimhigher - Partnerships for Progression

Group and University

	2013 £000	2012 £000
Balance brought forward	-	146
Grants (Reclaimed) / Received During Year	-	(62)
	-	84
Grants paid out during Year	-	(70)
Administration Charge	-	(14)
Balance unspent at 31 July, included in creditors	-	-

The University acted as the Aimhigher Sub-regional Lead for the East Midlands. Funds received were, in the main, distributed to institutions to fund projects meeting suitable criteria. In addition to this, funds were used to pay a small number of staff and to purchase non-pay items for its administration at the University. The project closed during 2011/12 and unspent funds were reclaimed by the Higher Education Funding Council for England.

34. Post Balance Sheet Events

No significant events have occurred since the balance sheet date.